the Freeman

Ideas on Liberty

OCTOBER 1974

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LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

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ALLAN C. BROWNFELD

A Theme for the Bicentennial:

The Founding Fathers' Fear of Power

AMERICANS approach the Bicentennial celebration in the face of the Watergate scandal and subjected to a maze of rules and regulations inflicted upon them by what is becoming an increasingly powerful governmental apparatus.

Government now feels that it has the right and the power to tell us to buckle our automobile seat belts, what drugs we may and may not take, what race and sex a job applicant must be to be hired, what distant school our children will be bused to attend, what kind of gasoline we must use in our cars . . . and this is only the beginning. On the horizon are plans for governmentally controlled medical care, national zoning in the form of land use legislation, national data banks which will know everything about us and our personal lives, and a host of other interferences in what we once believed was meant to be a free society.

Watergate reveals the vast amount of power which has been centered in the executive branch, and the suspended jail sentences given to high officials who have pleaded guilty to serious crimes indicate that our idea of equal justice for all is far from reality. A President himself claims that his executive position virtually places him outside of the ordinary procedures of the law, and gives him the right to determine which kinds of evidence can and cannot be considered by the special prosecutor, the Congress, and the courts whose duty it is to investigate the charges against him.

If the Bicentennial causes us to reflect upon the meaning of our

Mr. Brownfeld of Alexandria, Virginia, is a freelance author, editor, and lecturer especially interested in political science.

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history, one essential element should be stressed. That is that the Founding Fathers were deeply suspicious of centralized governmental power. It was this fear of total government which caused them to rebel against the arbitrary rule of King George III. In the Constitution they tried their best to construct a form of government which, through a series of checks and balances and a clear division of powers, would protect the individual. They believed that government was a necessary evil, not a positive good. They would shudder at popular assumptions which regard government as the answer to all of our problems and which allow public officials to claim rights superior to those of the men and women who have elected them.

How Government Grows

In a letter to Edward Carrington, Thomas Jefferson wrote that, "The natural progress of things is for liberty to yield and government to gain ground." He noted that "one of the most profound preferences in human nature is for satisfying one's needs and desires with the least possible exertion; for appropriating wealth produced by the labor of others, rather than producing it by one's own labor . . . the stronger and more centralized the government, the safer would be the guarantee of such monopolies; in other words, the stronger the government, the weaker the producer, the less consideration need be given him and the more might be taken away from him."

At the beginning of his Administration, Jefferson wrote a friend that, "The path we have to pursue is so quiet that we have nothing scarcely to propose to our Legislature. A noiseless course not meddling with the affairs of others, unattractive of notice, is a mark that society is going on in happiness."

Today, of course, there is almost no aspect of our lives that some agency of government does not consider within the province of its authority and control.

That government should be clearly limited and that power was a corrupting force was the essential perception held by the men who made the nation. In *The Federalist Papers*, James Madison declared that, "It may be a reflection on human nature that such devices should be necessary to control the abuses of government. But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government

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would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed, and in the next place oblige it to control itself."

They Were Not Utopians

The Founding Fathers were not utopians. They understood man's nature and attempted to form a government which was consistent with – not contrary to – that nature. Alexander Hamilton pointed out that, "Here we have already seen enough of the fallacy and extravagance of those idle theories which have amused us with promises of an exemption from the imperfections, weaknesses, and evils incident to society in every shape. Is it not time to awake from the deceitful dream of a golden age, and to adopt as a practical maxim for the direction of our political conduct that we, as well as the other inhabitants of the globe, are yet remote from the happy empire of perfect wisdom and perfect virtue?"

Rather than viewing man and government in positive terms the Framers of the Constitution had almost precisely the opposite view. John Adams expressed the view that, "Whoever would found a state and make proper laws for the government of it must presume that all men are bad by nature." As if speaking to those who place ultimate faith in egalitarian democracy, Adams attempted to learn something from the pages of past history: "We may appeal to every page of history we have hitherto turned over, for proofs irrefragable, that the people, when they have been unchecked, have been as unjust, tyrannical, brutal, barbarous and cruel as any king or senate possessed of uncontrollable power . . . . All projects of government, formed upon a supposition of continual vigilance, sagacity, and virtue, firmness of the people, when possessed of the exercise of supreme power, are cheats and delusions . . . . The fundamental article of my political creed is that despotism, or unlimited sovereignty, or absolute power, is the same in a majority of a popular assembly, an aristocratical council, an oligarchical junto, and a single emperor. Equally arbitrary, cruel, bloody, and in every respect diabolical."

The political philosopher who had the most important impact upon the thinking of the Founding Fathers was John Locke. Locke repeatedly emphasized his suspicion of government power and believed that if the authorities violate their trust, the regime is to be dissolved.

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Let the Legislative Branch Be Predominant

It was Locke's view, in addition, that the legislative branch of government – that branch closest to the people and most subject to their control – should be the most powerful governmental branch. In his *Second Treatise,* Locke notes: "Yet the legislative being only a fiduciary power to act for certain ends, there remains still in the people a supreme power to remove or alter the legislative, when they find the legislative act contrary to the trust reposed in them . . . . And thus the community perpetually retains a supreme power of saving themselves from the attempts and designs of any body, even of their legislators, whenever they shall be so foolish or so wicked as to lay and carry on designs against the liberties and properties of the subject."

The political tradition out of which the U.S. Constitution grew repeatedly stressed the importance of limiting the sphere of government. One role which government was to have – and which many today seem not to understand – was that of the protection of private property.

Locke stresses this point: "The great and chief end therefore, of man's uniting into commonwealths, and putting themselves under government, is the preservation of their property . . . . Every man has a property in his own person. This nobody has any right to but himself. The labor of his body and the work of his hands, we may say are properly his. Whatsoever, then, he removes out of the state that nature hath provided and left it in, he hath mixed his labor with it, and joined to it something that is his own, and thereby makes it his property."

Protection of Property

Those who argue that property should be equally divided are advocating a political philosophy sharply contrary to that held by the Founding Fathers. James Madison held that, "The diversity in the faculties of men, from which the rights of property originate, is not less an insuperable obstacle to a uniformity of interest. The protection of these faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results."

Property, it was believed at the time of the Revolution, was necessary because its protection insured that individual liberty and possibilities for achievement would survive. Professor Donald Devine, in his volume, *The Political Culture of the United States,* notes

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that, "Property is a basic liberal value because its protection allows the individual to be free and secure."

During the colonial era, Americans became all too familiar with the dangers of unlimited and arbitrary government. The Revolution was fought to prevent such governmental abuses and to make certain that individual citizens might be secure in their lives and property. When the Articles of Confederation were being considered, fears of excessive concentration of authority were often expressed. The town of West Springfield, Massachusetts, to cite one example, reminded its representatives of the "weakness of human nature and growing thirst for power . . . . It is *freedom,* Gentlemen, it is freedom, and not a choice of the forms of servitude for which we contend, and we rely on your fidelity, that you will not consent to the present plan of Union, til after the most calm and dispassionate examination you are fully convinced that it is well calculated to secure so great and desirable an object."

One of the early textbooks of the American patriots was *Cato's Letters,* the joint product of Thomas Gordon and John Trenchard. Written during 1720-23, it was widely read in the colonies together with James Burgh's *Political Disquisitions.* The basic concept stressed in both of these works is the evil effect of power. "The love of power is natural," wrote Burgh, "it is insatiable; it is whetted, not cloyed by possession."

Gordon and Trenchard observed that, "Power renders man wanton, insolent to others, and fond of themselves . . . . All history affords but few instances of men trusted with great power without abusing it, when with security they could." The people must retain power in their own hands, grant it sparingly, and then only under the strictest supervision. "The people can never be too jealous of their liberties," warned Burgh. "Power is of an elastic nature, ever extending itself and encroaching on the liberties of the subjects." *Cato* also believed that, "Political jealousy . . . in the people is a necessary and laudable passion." Therefore, the people must select their rulers with care, and these must be "narrowly watched and checked with Restraints stronger than their Temptation to break them."

Eternal Vigilance

The written and spoken words of the men who led the Revolution give us numerous examples of their fear and suspicion of power and the men who held it. Samuel Adams asserted that "there is a

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degree of watchfulness over all men possessed of power or influence upon which the liberties of mankind much depend. It is necessary to guard against the infirmities of the best as well as the wickedness of the worst of men." Therefore, "Jealousy is the best security of public liberty."

The corruption of power, the oppression of strong government – these were the vital, immediate dangers felt by those who waged the Revolution.

Today, unfortunately, government seems to be out of our control. Non-elected officials – bureaucrats – make rules which have the effect of law, controlling more and more aspects of our lives. Government is no longer viewed in negative terms, but is now viewed positively, as the answer to almost all of our social, economic, and political problems.

In 1800, Jefferson wrote of his belief that "a single consolidated government would become the most corrupt government on earth." Twenty-one years later he remarked that, "Our government is now taking so steady a course as to show by what road it will pass to destruction, to wit: by consolidation first, and then corruption, its necessary consequence."

Perhaps by reviewing the political perceptions of the Founding Fathers as an important element in the Bicentennial celebration we will gain some of the wisdom which we have lost in the years since 1776. Many have lamented that America is the only nation in the world's history whose Golden Age was at the beginning. It is up to us to see that this lament does not become a self-fulfilling prophecy.

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What Does America Owe to the "Third World"?

NEERA BADHWAR

IT ALL STARTED with the class-war which, if you remember, did not materialize even in Russia: the Revolution was the work of a tightly-organized intellectual elite resisted to the last by bourgeois, worker, aristocrat, soldier, peasant and sailor alike.

We are now told in solemn U. N. debate that there will be an international class-war unless the U. S. A. works out a plan for the distribution of her citizens' wealth. Presumably, the war will be waged against America by the "Third World's" armed forces – armed with American arms, and supported logistically by American sweaters, shoes, and powdered milk.

The "beautiful" Dr. Mubashir Hasan (to quote from James Reston's "Impeaching at Turtle Bay," *The New York Times*, April 24, 1974), the Finance Minister of Pakistan, explained that increasing and sharing her production with the poor nations is not America's only alternative. She has the option of *reducing* her consumption and sharing the "surplus."

What conclusion can we draw from this proposal?

Marx's millennium was a fairy-tale world in which all were to be equally "free" from material need – a world to be reached through a distribution of capitalism's achievements: after capitalism had "solved" the "problem" of production for all time, communism would take over and "solve" the "problem" of distribution. In its ability to produce lay capitalism's historical "justification."

"As a citizen of India, here as a graduate student of political science," explains Neera Badhwar, "I am particularly concerned with the issue of foreign aid — and interested in dissociating myself from its proponents."

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Beyond Marx

Modern collectivists in socialist "republics" have carried the Marxist dictum one step further.

Decades of evidence has forced them to abandon the naive claim that the production of wealth is set in motion in a certain historical period (capitalism), and that it becomes thereafter self-generating and automated – a process so simplified that it is a mere matter of filing cards and pushing buttons. They cannot escape the fact that production requires continuing thought and effort, continuing free enterprise; that capitalism cannot be superseded if poverty is to be superseded. But their political philosophies forbid capitalism in their own countries. So for Marxist history they substitute a neo-Marxist geography: for capitalism as a historical period they substitute America which, as still the freest and most productive country in the world, must now justify its existence by serving as the milch-cow for the neo-Communists of the "Third World" – who are familiar with distribution but not with creation. Thus they are not at all bashful about attempting to direct the distribution of America's wealth.

The suggestions of those – both Americans and non-Americans – who would shackle this country with a global responsibility for overcoming poverty, range from the laughable (American aid for a worldwide campaign to restore breast-feeding) to the frighteningly dictatorial (forcing Americans to "change their rich diet and affluent life-style").

Is It Possible?

Is it even *possible* to believe that the poor nations can become rich merely by compelling America to reduce her consumption and share her "surplus"? Surely the billions of aid dollars poured into these countries with nary a rise in the standard of living constitutes definitive proof that they have to gear up their own production if they want to achieve prosperity. In the light of this fact one suspects that the motive of the international Robin Hoods is not so much a desire for "freedom" from material need for all, as a desire to reduce America to the level of the "Third World" countries, to pull it into the international brotherhood of poverty and suffering. Calls for a "redistribution" of America's wealth can mean nothing else. The spirit of such pronouncements can best be expressed by quoting Tocqueville's observation about pre-Revolutionary France: ". . . all were quite ready to sink their differences and to be integrated into a homogeneous whole, provided no one rose

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above the common level." This is not an expression of a desire for the well-being of one's fellow man. It is an expression of hatred for affluence and achievement.

Unanswered Questions

Two questions are left unanswered – or never asked – when this involuntary charity is proposed for American citizens: Why? and By what right?

Why has the "Third World's" claim to America's wealth been accepted as a primary, a not-to-be-questioned absolute? And how has it happened that the same government which was instituted by its founders to protect the wealth and "the faculties of men, from which the rights of property originate," is now presumed to have the right to appropriate its citizens' property for any reason it chooses?

To answer the second question first: theft begins at home. The government has become inured to the practice of robbing some individuals for the sake of a "group" – in the name of the "good of society." Therefore the reckless suggestion that it now rob its citizens for overseas groups leaves no one breathless. It would be instructive to trace the history of this development.

Within the nation the class-war – the dethronement of individualism and the destruction of peace – started with the New Deal which gave one a new deal – special privileges – if one belonged to a class or group called "poor." The 1960s were the years of a group named "black." The early '70s is the decade of a war of all against all.

Broken Coalition

As political scientists tell us, the "New Deal coalition" has broken up. Labor has taken issue with equal opportunity groups, the working-welfare poor with the only-welfare poor. Women's Lib has been berated by racial groups for gate-crashing into their special domain: *The Disadvantaged Minority*. Alvin F. Poussaint ("A Threat to Blacks," *The New York Times*, May 6, 1974) urges both groups to work together in their struggle for power and "accelerated social change." Typically, he fails to explain the meaning of that phrase or of the word "power." For the meaning, when stated explicitly, is not pretty. "Accelerated social change" is change by coercion – by legislative action – rather than by persuasion. Power politics is the politics of group warfare, of the "factious spirit," to use Madison's term. And the eternal casualty of this factious spirit is the individual.

The individual has been fragmented, divided, among groups, so

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that now he is deemed to have no *individual* rights or interests, but only "group interests." In other words, nearly every aspect of his life is now subject to the majority vote of those who happen to share his various interests. He finds himself surrounded by his self-appointed representatives – labor unions, professional associations, sexist organizations, racial brotherhoods – to whom he never gave his consent, but with whom he must ally himself, often under legal compulsion.

The Marco De Funis case (wherein a white student with superior grades was initially refused admission by the University of Washington Law School as part of a policy to "make up" for earlier discrimination against blacks) highlighted the fact that reverse discrimination is discrimination still, although the Supreme Court refused to rule on it. It is debatable that the Court will recognize the root problem when such a case comes before it again.

Violation of Individual Rights

The root problem is that "group rights" are a violation of individual rights. Only the recognition and protection of individual rights can keep men anchored to the pursuit of their own interests. For individual rights are the radius which defines the circle of a man's legitimate activities – and the point of origin of the radius is man's reason. A group is merely a collection of entities, it is not an entity in itself, it has no mind or reason – and therefore can have no rights distinct from the rights of the individual. As *The New York Times* editorialized on August 4, 1963, ". . . the question must be not whether a group recognizable in color, features or culture has its rights as a group. No, the question is whether any American individual, regardless of color, features or culture, is deprived of his rights as an American. If the individual has all the rights and privileges due him under the laws and the Constitution, we need not worry about groups and masses– those do not, in fact, exist, except as figures of speech." In attempting to transcend the individual, "group rights" transgress the delimited area of each man's rights and, by imposing on him actions alienated from his self-interest, they break the connection between the judgment of his mind and his actions. In the name of the group or society, a "higher good" takes precedence over the good of the individual –and necessarily sacrifices some for the sake of the others.

In a free society – *i.e.*, a society based on individual rights – neither individuals nor government

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may initiate force. The actions of individuals are limited by the obligation to respect the rights of others, while the actions of government are limited to the obligation of protecting these rights. But when "group rights" and the "good of society" are accepted as valid concepts, this limitation is broken, government can claim with impunity a boundless power, and individuals become free to advocate the institutionalization of their whims in the form of law.

It is not surprising, then, that when this government proclaims an authority to tax its citizens for the benefit of humanity, for the good of all societies, anywhere, there are few protests. If the individual can be sacrificed for groups at home, he can be sacrificed for groups abroad.

Why the Duty?

This leads us to the first question: why America is assumed to have a duty towards the world, and why she accepts such a duty.

The ability of the "Third World" to make America feel responsible for the former is a result of the ethics that holds that the highest good consists in serving others – and the higher the cost to self, the more moral the action. It is true that in practice men do not always sacrifice themselves for others. But that is not the point. The point is that they accept the tenet that such sacrifice is the definition of virtue – and that, having accepted this, they must feel guilt for not consistently practicing it. In the face of another's need, then, an affluent person or nation is especially vulnerable to guilt. For if it is easier for a camel to pass through the eye of a needle than for a rich man to get into heaven, the rich man – or nation – cannot but experience his wealth as a slur on his character, an ugly third hump that brands him for hell. So he apologizes for his productivity – even as he is being damned for not producing enough (*i.e.*, "according to his ability") for the satisfaction of others ("according to their needs").

Unearned Guilt

This guilt is the psychological basis of the support both for the political philosophy of the welfare state (of which the theory of group rights is an integral part) and for the thesis that America owes a debt to poorer nations. The assumption of an unearned guilt, the atonement for strength and ability, constitutes what philosopher Ayn Rand has called "the sanction of the victim" – an inevitable consequence of accepting the ethics of self-sacrifice (Ayn Rand, *Atlas Shrugged*).

America has given this sanction

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to her spiritual enemies. She has accepted the onus of being her "brothers' keeper."

Recently the Senate took the unprecedented step of giving the "keeper's" guilt official stature by couching it in the form of a resolution. April 30, 1974, was declared a "National Day of Humiliation, Fasting and Prayer" set aside to repent "for our national sins."

It would be startling to hear such self-abnegation even from a starving Asian country – perhaps because no starving Asian country has any virtues for which to beg forgiveness. For these days it is virtues that people seek to expiate. Analogous to the Senate action is the Indian manner of rejecting a beggar's plea for alms: the rejection is accompanied by the words, "Forgive me." The beggar is presumed to have a natural right to your property, therefore your refusal to part with it must needs be apologized for.

It is clear that the "sins" of the resolution refer to the fact that America's citizens are not living in abject poverty, that this nation is most uniquely the nation that has never been touched by the fear of famine – or the fear of the boot. What is overlooked or evaded is the connection between the two, between the absence of the boot and the absence of famine.

Freedom to Think

Psychologists have long held that the mind can function efficiently only when it is unthreatened, is free to think. And that only in such a situation will the individual be motivated to perform optimally. Nearly everyone accepts this thesis on the individual, interpersonal, level. But most people forget or deny the connection between freedom and thinking and, therefore, productivity – and, conversely, the connection between lack of freedom and lack of productivity – when the question concerns a political system. Yet in talking about a political system – a certain form of government interacting with a collection of individuals – one is talking, ultimately, only about individuals for whom the principles of psychology still must hold true. Whether it is naked terror that prevails, or arbitrary law that shackles the economy, the connection between lack of freedom and lack of productivity has dramatic manifestation in the international world. For instance, it is no coincidence that the totalitarian Soviet Union, with some of the best agricultural land in the world, has already had two famines in its brief history (including the first government-engineered famine in the long history of Russia), and has to import wheat and technology from Amer-

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ica. Neither is it an accident that capitalist* Japan is one of the richest countries in the world, while the official poverty line in socialist India ($30 – a year) is exceeded by only a small part of the population.

A Matter of the Mind

It follows, then, that to repent for one's material well-being, one's productivity, is to repent for the unobstructed use of one's mind, for the freedom that makes it possible for men to translate the action of their minds into physical action – to translate mental efficacy into material goods. Moreover, "repenting for our national sins" – *i.e.*, wealth – makes it inexplicable why America should want other nations to accrue wealth, *i.e.*, sins.

The question therefore arises: are the advocates of global foreign aid really interested in seeing mankind everywhere prosper? If so, why have they never suggested that freedom instead of free rice be exported?

For only when America suspends her charity will the leaders of the "Third World" learn that they cannot have their cookies and eat them too, that they cannot rely on free, capitalist* America to build up their muscles, while they continue to restrict their peoples' freedom in the name of the "good of society." Or is the purpose of the do-gooders not universal prosperity at all, but merely the draining of this country to the death? The fundamental issue is this: are the advocates of "group rights" (the "good of society") interested in seeing their countrymen happy – or merely in destroying whatever freedom there remains, by destroying the very concept of individual rights?

Is the goal of the collectivists the day when ". . . all [will be] quite ready to sink their differences and to be integrated into a homogeneous whole, provided no one [rises] above the common level"?

---

* There is no fully capitalist country in the world. The term is used here for America and Japan because their mixed economies are still predominantly free.

IDEAS ON LIBERTY

The Use of Capital

THE FACTS ARE that every form of wealth is dedicated to the improvement and advancement of the so-called common man. Capital, with negligible exceptions, is used for the orderly production and distribution of goods, 95 per cent of which are consumed by those who claim to be disinherited.

From The William Feather Magazine

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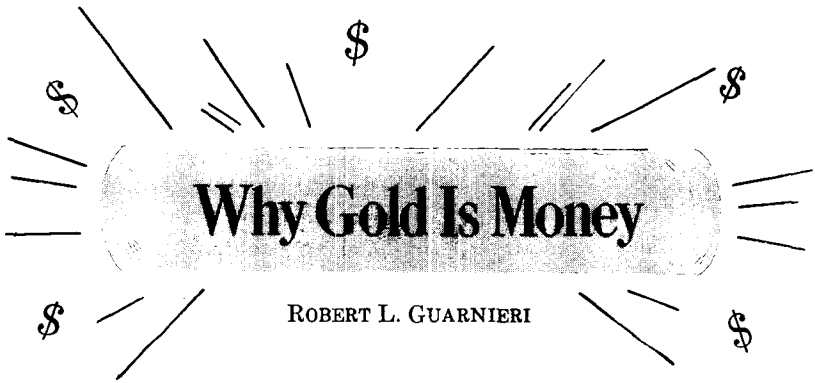

Why Gold Is Money

ROBERT L. GUARNIERI

THERE ARE THOSE who try to give the impression that money can be created by decree or covenant. They assert that an authority such as the state, or an agreement between individuals can willfully establish a currency unit. The most conspicuous recent example of this was the "creation" of "paper gold" or the SDR's (Special Drawing Rights) by the International Monetary Fund.

Historical evidence does not support the idea that a new form of money can be created by the mere passage of a law. There is much more to it than that. Money is not the product of a compact or of legislative acts. It evolved in the market. As primitive people became increasingly aware of their business interests, they came to understand the simple fact that exchanging less-marketable goods for others of greater salability brought the trader closer to his ultimate economic goal.

In ancient Greece, as in some parts of Africa today, cattle were the most marketable commodity, and were used in exchange in addition to their use as sources of food and beasts of burden. Domestic animals such as cattle, horses, and sheep constituted the chief sign of wealth among ancient peoples, both nomadic and agricultural. Their marketability extended to all economic men. The lack of roads made transportation difficult, but cattle transported themselves almost without cost. This made them marketable over a wide geographic area and increased the constancy of the demand for them. A cow is a commodity of considerable durability, and its storage costs are

Dr. Guarnieri is Vice President and Chief Economist of International Investors, Inc., in New York.

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negligible where pastures are abundant and cattle are kept outdoors. In societies where a large herd served as a status symbol and also afforded economic security, comparatively few animals would be offered for sale at one time and consequently found a ready market. Because of these factors and the fact that the actual trading in cattle was better developed than trade in any other commodity, cattle emerged as the most marketable commodity in the economy and hence the natural money of the people.

The division of labor and commercial development and the formation of cities with their highly industrial population had the effect of diminishing the marketability of cattle while increasing the salability of other commodities, especially the metals then in use. The city-dwelling manufacturer was not in a position to accept cattle in the course of trade with farmers. Cattle were no longer the most marketable commodity, and finally ceased to be money at all.

Metallic Money

Copper was the first metal from which tools and weapons were made. Along with copper, gold and silver were the earliest materials used for jewelry and ornamentation. Therefore, at the time when the medium of exchange passed from cattle money to metallic money, copper, gold, and silver had become the goods of most general desire, largely because of primitive people's extensive use of jewelry. The marketability of the metals was greatly enhanced by their usefulness to all people and the fact that they could be readily transported throughout a wide market area. The fact that they were durable and could be stored or held without deteriorating gave them added salability.

As the area of world trade widened and the rate of turnover increased, the precious metals – gold and silver – became more and more desirable because of their high purchasing power per unit of weight. This led to obvious advantages in transportation, handling, and storage and meant that copper would cease to serve as money. With the increasing division of labor, higher turnover of commodities, and trade with all parts of the known world, each individual felt the need for carrying more purchasing power on his person. Under these conditions the precious metals, especially gold, became the most convenient medium of exchange and therefore became the money of the most highly developed economies. Thus money came into being, not

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as the result of an agreement, legislative compulsion, or mere chance, but as the natural result of voluntary exchanges in the market place. It can only continue to serve as money as long as it proves acceptable under these conditions.

Neither can a newly created currency gain acceptance unless it is backed by something which has already proved itself in the market. The SDR paper met with some acceptance in international finance only because it was linked to gold, of proven monetary qualities. The creation of Special Drawing Rights was claimed to be a new way for the International Monetary Fund to make easy credit loans to countries guilty of monetary mismanagement. But this was not the creation of a new international money. Gold is the only international money. A sound currency cannot be created by the mere passing of a law, and today's paper money managers would do well to keep this in mind.

IDEAS ON LIBERTY

The Money Supply

WHILE AN increase in the money supply, like an increase in the supply of any good, lowers its price, the change *does not – unlike other goods – confer a social benefit.* The public at large is not made richer. Whereas new consumer or capital goods add to standards of living, new money only raises prices – i.e., dilutes its own purchasing power. The reason for this puzzle is that money is *only useful for its exchange-value.* Other goods have various "real" utilities, so that an increase in their supply satisfies more consumer wants. Money has only utility for prospective exchange; or "purchasing-power." Our law – that an increase in money does not confer a social benefit – stems from its unique use as a medium of exchange.

MURRAY N. ROTHBARD
What Has Government Done to Our Money?

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Why Is Liberalism Endemic?

CHARLES R. LADOW

LET IT BE CLEAR that the liberalism here in question is not classical liberalism, which is quite properly endemic throughout history among the minds and works that last. The question refers to what has passed for liberalism in the past century, mostly. This brand of liberalism has enjoyed such popularity, flattering the wish-fancies of the average mind as it does, that the distinction seems unneeded. But, the way words are misused today, it is best to nail it down. The new liberalism is socialism; or, as John Dewey put it: "Liberalism must now become radicalism."

It is not easy to understand the persistence of the socialistic brand of liberalism in the United States. When the failures of any system of control are as glaring as those of the leftish leadership during recent decades, it is difficult to see why the electorate allows it to proceed. However, this it does and, not inconceivably, may continue to do – even to the point of national bankruptcy. Why?

Willingness of the habitually poor and handicapped to see the welfare state grow is understandable, if ill-advised. They are bound to suffer most in any beheading of the "hen that lays the golden egg": capitalism. Even the current inflation hits them hardest of all classes, just as the inordinate government spending which feeds them is the main cause of it. However, without aid of the vast middle classes, they would not be able to maintain the policies at the polls, especially since so many of them do not even trouble to vote.

Another reason given for the persistence of the political phenomenon is the guilty conscience of our population, which leads a majority to vote for policies of economic leveling. There is some evidence that this is a factor; but it is still hard to understand. The record of rising private philanthropy belies the reason for wide-

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

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spread guilty consciences. At the same time, a certain public callousness tends to make the matter moot. Although people feel concern for victims of chance or crime, there is still much disdain for those living in deserved squalor. Society's perennial pecking order is alive and doing well.

Labor unions have been the most conspicuous beneficiaries of the welfare state, having, perhaps, the most clear-cut interest in its survival. However, their rank-and-file represent an elite among the working force of the nation, most of whom have moved well up into the middle class. Although their dues may be used for liberal political purposes, their leaders may hardly count their votes at the polls. (Questioned at a student seminar in Claremont during the Goldwater campaign, a Teamster official admitted that many members in Los Angeles would vote for Goldwater.)

Tocqueville Saw It

Nearly a hundred and fifty years ago, French observer Alexis de Tocqueville noted that American sentiment favored equality even above liberty. Although this estimate seems to have been borne out in our subsequent political history, with its rise in populism, coincidental rise in extremes between wealth and poverty begs a question about the sincerity of the sentiment. Especially this is so when we recall the rapt admiration of the crowd for the more fortunate, ranging from movie stars and professional athletes to the Kennedy family. Since this occurs with no evident regard for individual excellence, one may suspect that equality is a shibboleth. At any rate, since the voting pattern seems to lead toward enthronement of the superstate, the question seems to arise whether there is any real sentiment for *either* equality or liberty.

The late Albert Jay Nock wrote, some decades back, that "The simple truth is that our businessmen do not want a government that will let business alone. They want a government that they can use." Perhaps Nock got to the root of the matter of why government has grown so big. People want to use government to obtain benefits which the free choices of their fellows would not give them. Honest work and trade do not pay enough to satisfy their greed. What a grand shortcut it is to get the government to send out tax collectors, enforcers, raise tariffs, institute public programs — all to benefit the activities in which one is engaged!

Businessmen who once sought political benefits for their "infant industries" were not wise enough

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to see, or did not care, that such tactics in a nation with a popular government could, in the long run, be practiced by most anyone. It was only a matter of time until a Franklin D. Roosevelt would arise to open the public purse to "the forgotten man." Although Roosevelt was an innovator, he was certainly not the inventor of the ancient scheme of public welfare which marked the fall of Athens and Rome. However, our politicians of both parties have since made Roosevelt look like a piker. We must be very close to the state of Athenian democracy at its nadir, when every third person was, somehow, on the public payroll. The ubiquitous civil services, public retirement, Social Security, Medicare-Medicaid, miscellaneous "programs" and public relief, as well as the necessary military, make it most likely. The tax load and national debt bear out the assumption.

It might be well to take time out to answer those who object that our taxes are lower than in other developed nations. When we consider that most of those other nations are in even deeper trouble than we, that is not much of an argument. Misery may love company; but who wants to be miserable? We were once a model of economical government, and should be so now.

Private Greed

To return to the point: It is private greed which has supported the growth of the welfare state. The pittance received by those at the welfare base is in sharp contrast to the millions amassed by those who play the bull market of inflation successfully. Hamburger chains, hula hoops, and frisbees; cheaply made goods, made for a day. Eight-lane freeways, at millions per mile, to be replaced by monorails? Scarce goods and resources wasted as if supply were endless. And yet, we cannot blame either the tycoon or the welfare recipient. Each is operating in obedience to the law of supply and demand. We take what we can get any time. To do otherwise is to fail to survive. If a sane economy is desired, with conservation of resources and a happy population, different policies are required. The legalization of greed must be replaced by the free market, where no one is allowed the aegis of government support in taking advantage of others. They will still compete, and that is good; but they will not be aided by outside force.

But self-interest is also guided by ideas. Any person with no moral concepts is a monster. "From each, according to his abilities; to each according to his needs," is a moral concept. Taken at its face value, perhaps it would

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be acceptable to all persons of good will. In the good family, father and mother use their best abilities to see that the child gets all it needs. Other relatives, friends, or even strangers may similarly care for an individual's needs. Such services sometimes include the sacrifice of life itself. Then why, asks the liberal, should not the state perform similar services for us all? Apparently, many people do not have a clear answer to this question, because there is much confusion about politics. The answer is very simple. In the case of father, mother, relative, or stranger, there is no civilized society which would legally condone theft as a means of helping another. If government universally enjoins citizens against thievery, even of the Robin Hood variety, on what grounds is government enabled to act as a thief, taking from one and giving to another? The business of government is to *prevent* thievery and fraud and keep the peace, the expense of which covers its legitimate taxing power.

The nineteenth century saw the ascendency of romantic ideas of politics and morals. The ideas of Rousseau and Marx replaced those of Locke and Adam Smith. From Horace Mann to John Dewey, public education in the United States has been dominated by the social ideas of Rousseau and German philosophy and pedagogy. Many generations have become adult with scant tutelage in the empiricism of individual responsibility.

Everett Dean Martin

In his 1930 Book-of-the-Month, *Liberty,* Everett Dean Martin wrote:

> In proclaiming the natural goodness of man, Rousseau gives primacy to instinct and emotion, and minimizes discipline and reason and distinction of worth among men. One man is by nature just as good as another. But the wisest men have taught that goodness is excellence; it must be achieved; it is that which marks distinction between higher men and lower, and between men and animals. It is not so with Rousseau. "Happy the people among whom one may be good without effort and just without virtue." As men are naturally good, it is not necessary that they excel in intelligence in order to do good. Indeed Rousseau seems to find that it is the simple-minded people who are the best. Therefore let men follow their natural inclinations, be inspired by noble sentiments, and they need have no doubts as to what is right. The sovereign people can do no wrong.

In the remainder of the chapter on "Romantic Ideas of Liberty," Dr. Martin continued a devastating criticism of the romantic notions of modern liberalism. It is

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interesting to conjecture upon the chances of such a book to be Book-of-the-Month now, over four decades later. In 1930, men of the calibre of Martin, Nock, and H. L. Mencken were accorded wide audience – except on the platforms of public schools. In the meantime, the rising acceptance of Marxism and behavioristic psychology has hardened the environmental determinism of Rousseau into virtual orthodoxy. This is the philosophical basis of liberalism's strong hold.

In 1939, this writer attended a Claremont Colleges dinner-debate at which Everett Martin took on most of the top brass of the California State school system. Any witness to that discussion would have clearly seen the differences between the classical liberal, which Martin was, and the more recent pretenders to liberalism. There was no doubt that Dr. Martin was the winner on points of reason; but the schoolmen, to a man, went away preferring their instincts and emotions to disciplined reason. Since 1939 the public schools have regressed even farther into Rousseauism, as more orthodox teachers have gone into retirement, to the point where they have bred large groups of children at war with their parents and society and who worship at the shrine of primitivism.

The Role of the Schools in the Persistence of Liberalism

If one were to point to the most potent reason for the persistence of liberalism, one would have to choose our system of public schools. Whereas individual schoolmen may represent every school of political or philosophical thought, the general effect of the system is completely in accord with statism – which is a matter for no wonder at all. Besides having its roots in the romanticism of Rousseau and German philosophy, the huge system is a chief beneficiary of public funds. Unsatiated by state and local coffers, it knocks continually on Washington's door. Demise of liberalism would destroy the organizational game plan which proceeds regardless of individual educators' beliefs. The National Education Association is one of our most statist organizations. It is largest too!

The very success of organized public education may be its undoing, as well as the undoing of the welfare state. Because of its vacuous theories, it is doing such a poor job of bringing up articulate generations that there is a question of whence its future defenders may come. Able persons who find no education in school are likely to seek it elsewhere. Elsewhere is where most of the critics of liberalism are. Any self-

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respecting able mind is likely to be turned off, eventually, by the mawkish sentiments and illogicality of the liberal line. Watering down of the curriculum has proceeded to the point where there is much more froth than substance to the whole operation. The time for liberalism may be running out, right at its grassroots.

But some would say that it is the media which holds the liberals in power just now. Certainly, the press and electronic efforts lend an air of omniscience to the liberal cause. Invading each household twenty-four hours a day, they exhibit such an overwhelming slant of liberalism that they would seem to be the propaganda force which carries the day. But this begs the question: Why do they do it? The answer would seem to lie in the previous suggestions here offered. Most managements, writers, and commentators are moved by the same motives and have been reared in the same intellectual tradition as their audiences. (Once asked what he thought was wrong with the movies, Everett Martin answered: "Mostly the audience.")

Muckraking Journalism

The social astigmatism which makes the persistence of liberalism possible could not survive without the press. That segment of literature and journalism which lives on violence, gossip, innuendo, and the bizarre keeps alive the most execrable crowd suspicions which deny the good and emphasize the evil in the enterprise system. They carry on the work of Lincoln Steffens, Upton Sinclair, and the gaggle of muckrakers who set the standards of criticism for today's liberalism. So little do the observations of the original muckrakers apply to our era that even Norman Thomas came to feel that socialism was proceeding satisfactorily. Nevertheless, our pundits continue to whip a bewildered, if not dead, horse: American capitalism. Chapter 7 of Alexander Solzhenitsyn's *August 1914* shows the same ghastly appearance of a vacuous journalism in late Tsarist Russia. This suggests reminding our publishers that, although a great deal of money may be made by toadying to the basest tastes and prejudices of the crowd, the end of such a policy may very well be not only the loss of a fortune so made, but even the loss of such freedom of the press as made it possible.

However, public opinion shows many signs of overkill. Extremism of so much of the sources of public information has eroded credibility to the knowledgeable and surfeited the ignorant. It would be folly to predict just when

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the long nightmare of monomania will be over. But, end it must before we can begin to achieve economic and social sanity. Until that day, gestures toward cutting corruption in government will be empty gestures, calculated only to mislead fools, because the corruption to be found in any government, as Lord Acton suggested, is in direct proportion to the power it wields. In this respect, our government is very close to becoming *Leviathan.*

Signs that Public Opinion May Be Changing

We are indebted to Winston Churchill for an insight regarding absolute government. He suggested that if Hitler's Nazis were able to kill off all the men with free minds in Germany, a new crop would spring up in a generation. History has borne him out, relatively speaking. Although Adenauer and the founders of West Germany were not killed off, and were hardly of a new generation, still the political economy of renascent Germany more nearly approaches free trade than those of many of her erstwhile conquerors. Harsh lessons are well learned. Even the long dark night of Soviet Russia has produced the likes of Alexander Solzhenitsyn.

Because opinion polls have done so much to create, as well as measure, the points of view of individuals, one hesitates to cite them affirmatively. After all, it may be that the "average mind," whatever that is, accepts ideas very much as it accepts clothing styles. Certainly, many individuals look upon politics as they do on a horse race, trying only to pick a winner. Nevertheless, so many polls have, over a period of years, discovered an underlying conservatism in most American voters that they may be redeeming past error. They now tell us that most New Yorkers are conservative; although Senator Javits and the *New York Times* do not appear to play to that constituency.

Be that as it may, rumblings of tax revolt, outrage (both black and white) over school busing, school boards firing striking teachers, businessmen (down to the smallest) crying out against government red tape, independent businessmen (the vast majority of business) becoming adamant against the excesses of labor unions (representing a minority of the working force), households harassed by taxes and prices raised by government bungling all suggest a tidal wave that our legislators may ignore to their regret.

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Economic Calculation

BRIAN SUMMERS

WHICH ECONOMIC SYSTEM produces what society wants in the manner society deems most efficient?

As with all economic questions, the answer is found by focusing one's attention on the actions of individuals. When one understands the actions of individuals, then one understands the actions of society, for society moves only as its individual members move.

The movement of rational beings is purposeful. People choose those courses of action they think will better their own situations from their own points of view. Of course, people make mistakes. Sometimes, due to a lack of understanding, they choose the wrong courses of action. The purpose of economics is to provide understanding that reduces such wrong choices by men seeking to maximize prosperity. That is, economics helps men to be efficient.

Mr. Summers is a member of the staff of The Foundation for Economic Education.

To be efficient one must have a means of comparing possible courses of action. To cite an example, consider the proverbial widget manufacturer. Should his product be made of resource A or resource B? Should he use manufacturing process X or process Y? The only way to decide these questions in the manner society considers most efficient is to know the price society places on resource A, resource B, process X, process Y, and the final manufactured widget.

How does society determine prices? Most people seem to think that free market prices are determined by merchants. It is true that the merchant is the one who actually writes down a specific price. However, in a free market the merchant's hand is guided by society.

The widget manufacturer is well aware that he cannot arbitrarily set his price. He must constantly take into account the prices being charged by competing widget man-

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ufacturers, manufacturers of substitute products, and all other merchants competing for the consumer's dollar. As the manufacturer raises his price, customers take their business elsewhere. As he lowers his price, customers return. Free market prices of consumers' goods are determined by the merchant's anticipation of the consumer's reaction to his price.

Pricing the Factors of Production

In a free market, consumers also indirectly determine prices of the factors of production: labor, natural resources, and capital goods. Businessmen, anticipating future prices of consumers' goods, bid among themselves for factors of production. Thus businessmen, in the role of competing buyers, determine the prices of the factors of production in the same way consumers set the prices of consumers' goods. However, the businessman is merely acting as an agent for the consumer, for he is guided by his estimation of the future prices of consumers' goods.

Using free market prices, the businessman attempts to calculate the manufacturing procedure that will maximize the difference between his final selling price and total production costs. That is, he uses society's prices to try to maximize his profits. Because his final selling price is set by competition, this means that the businessman tries to maximize profits by minimizing costs of production. This, from the point of view of society, is what it means to be efficient. That is, in the free market the most efficient producer is the one earning the greatest profits.

Of course, many businessmen do not earn profits. Those businessmen whose balance sheets show losses are soon driven from the market and forced, by economic necessity, to try their hands at something else. This is how society, acting through the market, discourages the inefficient use of labor, natural resources, and capital goods.

Those businessmen who do earn profits are encouraged by their profits to continue in business and use their profits to expand their operations. This is how society encourages the efficient use of factors of production.

Interfering with Trade

The system of economic calculation just described presupposes that the market is free from governmental interference. When the government does intervene in the economy, inefficiencies are the inevitable result. The government can only influence the prices of consumers' goods and of the factors of production by overriding the prices determined by society

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through the market. When the government does this, then the economy produces what the government wants in the manner the government considers best, rather than what society wants in the manner society deems most efficient.

In the United States today, the government influences prices in innumerable ways. Wage and price controls, minimum wage laws, laws discouraging the hiring of nonunion workers, rent controls, interest rate regulations, tariffs, and zoning laws are just a few of the ways the government contravenes free market pricing and thus distorts and disrupts economic calculation. Such laws, from the point of view of society, can only result in misallocations of scarce resources.

The farther an economy moves from free enterprise, the more wasteful it becomes. In a completely socialized economy, consumers have no influence over "prices" of consumers' goods. The government widget manufacturer can arbitrarily set his "price" because the government is the only manufacturer of widgets. Customers have nowhere else to turn.

In a completely socialized economy, consumers also have no influence over the "prices" of labor, natural resources, and capital goods. These factors of production are controlled by the government, and the government decides their "prices."

How does a completely socialized government decide these "prices"? Well, it can guess. This is apparently a common procedure in communist countries. Another procedure communists often use is to charge whatever the going rate is in the relatively free markets of the West. Of course, free market prices vary from place to place, so the communists are at best approximating the prices that would prevail in their countries were their markets free. Should we ever completely lose our Western markets, no one anywhere in the world will know what to charge for anything.

Lacking a means of economic calculation, socialism is bound to fail.

IDEAS ON LIBERTY

The Market Process

THE EFFICIENCY of the price system . . . depends on the degree of success with which market forces can be relied upon to generate spontaneous corrections in the allocation patterns prevailing at times of disequilibrium.

ISRAEL KIRZNER, *Competition and Entrepreneurship*

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Marx, Mises and Socialism

DAVE OSTERFELD

KARL MARX and Frederick Engels defined socialism as that stage of economic development when production according to a consciously "settled plan" replaces the production of commodities. "Commodity production" exists when products are produced for sale on the *market*, i.e., when production is separated from use by an intervening exchange.[1] Since a commodity necessarily presupposes a market, the substitution of a planned economy for commodity production therefore entails the destruction of the market. And this is precisely what is demanded.

According to socialist theory, at the proper time, the proletariat will seize control of the means of production. "With the seizing of the means of production," writes Engels, "production of commodities is done away with . . . . Anarchy in social production is replaced by systematic definite organization . . . . Socialized production upon a predetermined plan becomes henceforth possible."[2]

Thus, according to Marx and Engels, the production of commodities for exchange on the market would be replaced by a socialist system of planning and distribution where buying and selling would be terminated. For them, the essence of capitalism was production for the market, i.e., "commodity production"; that of socialism was a planned system of production and distribution.

Marx and Engels scoffed at the idea that their position was

Mr. Osterfeld of Cincinnati, Ohio, is a graduate student majoring in political theory.

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utopian. On the contrary, they characterized their writings as "scientific" and felt that there was strong empirical evidence for their belief in the ultimate transition from capitalistic market production to socialistic planned production. They reasoned as follows: In the Middle Ages peasants and handicraftsmen worked independently and then exchanged their products. There were no large factories. The tools of production were small and individually owned.

However, as capitalism developed, machines were invented that permitted the emergence of large factories. While production for society as a whole remained "anarchic," that *within* the factories became organized. Further, it was evident that large, well-organized factories were more productive than individual small producers. This, they felt, demonstrated the practical superiority of socialism.

All that was now required was to remove the increasingly social, i.e., organized, nature of production within the factory from the hands of the capitalists and then simply generalize the organization of production within the factory to the whole society. This would be accomplished by the proletarian revolution. It was assumed that socialism would end all economic problems.

Mises and Economic Calculation

The practicality of socialism went largely unchallenged until 1920 when Ludwig von Mises argued not simply its undesirability but its actual *impossibility*. Captalism, he asserted, "is the only conceivable form of social economy." The "attempt to reform the world socialistically," he concluded, "might destroy civilization. It would never set up a successful socialist community."[3]

Mises pointed out that there was a fundamental difference between factory organization within a market framework and the conscious organization of the entire economic system.[4] A factory is organized by referring its internal operations to "external" markets. The large factory, to cite just one example, produces many half-finished goods that are then used for the production of the final product. The only way one can determine whether it is economically sound to produce the half-finished goods within the factory or to buy them from other plants is to compare the cost that would be incurred in their production with the "external" market price.[5] But if the entire society were to be, as Lenin recommended, organized like the postal system, there would be no external markets to which to refer one's internal operations. Thus it would be

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impossible to generalize the principle of factory organization to the entire society; for with the entire society so organized, the very basis of its organization, the market, would be eliminated.

Profit (a net reduction in felt uneasiness) and loss (a net increase in felt uneasiness) are not arbitrary. They inhere in all actions of all individuals. Every society must therefore have some method for calculating profit and loss or end up destroying itself. The elimination of the market, Mises pointed out, would only serve to abolish the only known method of calculating profit and loss but it could never do away with profit and loss themselves. Unable to calculate, a socialist society could not proceed rationally. Thus, a "planned" economy, felt Mises, must inevitably produce chaos.

Having demonstrated the necessity of calculation for all societies, Mises argued that there were two prerequisites for rational calculation: the market and money.[6]

The Role of the Market

While a factory is characterized by its singleness of purpose and is therefore faced only with the more or less technical problem of applying means to ends, society is characterized by its multiplicity of purposes and is faced with the economic problem of allocating scarce resources such that the production of less intensely desired goods does not prevent the production of more intensely needed goods. Under capitalism this problem is solved daily through the market and without anyone's conscious effort. Since people only buy what is useful for them, there can be no distinction between production for profit and production for use. Prices are the outcome of the interplay of peoples' decisions to buy and not to buy. Profits result from successfully supplying consumers with what they most intensely desire at the time of their valuations; losses from the failure to do so.

In the quest for profit, labor and capital perpetually flow to areas where they can reap the most lucrative return on investment and away from areas that manifest loss. In this way the market also determines prices for the factors of production in the same way that it forms them for consumers' goods. "The entrepreneurs," says Mises, "eager to earn profits, appear as bidders at an auction, as it were, in which the owners of the factors of production put up for sale land, capital goods and labor."[7] Since what the entrepreneur can bid is limited by his expected return from the sale of his product, the factors of

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production are thereby channeled into the production of the most intensely desired goods. It can be further seen that the price of any object is not determined by adding up the "costs" of the factors of production but that the prices for the factors of production are, in fact, derived from the prices of the final consumer goods. Only in this way can prices for all the factors of production be formed and the relative efficiency of the nearly infinite number of possible methods and combinations of production be ascertained. Only by means of the market can we determine what to produce, in what quantities and qualities, and by what methods.

The Role of Money

A second element is also required before we can successfully calculate: money. Since consumption goods provide us with immediate benefits we can value them directly, without monetary calculation. However, the means of production are valued only *indirectly*. And as production grows more complex it becomes simply impossible to ascertain, intuitively, their contribution to our well-being. Thus money, an auxiliary method of calculation, is required. Money reduces everything to a common unit, thereby permitting exact calculations. Only then can we determine the appropriate methods of production, i.e., whether in a given circumstance to use, say, more steel, and less manpower, or vice versa. Without the ability, afforded us by money, to calculate and compare relative costs there would be no rational way to choose between the plethora of possible alternatives.

But even if some form of "money" were used in a socialist society it could never perform this essential function, for the utility of money implies the ability of the individual to act on his valuations. As Mises says, "the higgling of the market establishes substitution relations between commodities." This obviously presupposes the existence of private property throughout the economy. Thus, the existence of money and the market imply each other, and together, they enable us to calculate. And only economic calculation "provides a guide amid the bewildering throng of economic possibilities. It enables us to extend judgments of value which apply directly only to consumption goods . . . to all goods of higher orders. Without it, all production by lengthy and roundabout processes would be so many steps in the dark."[8]

But precisely because socialism endeavors to eliminate exchange,

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money, and private ownership of the means of production, economic calculation is impossible under socialism. Hence a socialist society would be unable to determine what is profitable and what is not. The resulting inefficiencies and distortions, Mises felt, would lead to capital decumulation, in turn resulting in progressive impoverishment. "The paradox of 'planning,'" concluded Mises, "is that it cannot plan."[9]

"War Communism"

No sooner had Mises written than his theory received dramatic confirmation. The Bolsheviks seized power in Russia in 1917 and attempted to implement socialist principles. Exchange was outlawed, money was purposely inflated out of existence, over 37,000 enterprises were nationalized, and private holdings in agriculture were declared illegal. The results were disastrous. The iron ore and cast iron industries fell by 1920 to only 1.9 and 2.4 percent of their 1914 volume of production. Oil production fell to 41 percent and coal to 27 percent. The 1920 average productivity was ten to twenty percent of the 1914 total and the production of fully manufactured goods was 12.9 percent of 1913. In agriculture, production was halved and, despite the distribution of 700,000 tons of food from the United States, people perished by the millions.[10] The economic debacle now known as "War Communism" came to its end only with the advent of the "New Economic Policy" in the early 1920's, which reinstated a semblance of a market economy. By 1928 production was back to the 1914 levels. Since that time the "socialist" countries have learned to direct production (1) by means of restricted domestic markets, and (2) by coopting the methods determined by the foreign Western markets.

Oskar Lange

An attempt was made by the Marxist, Oskar Lange, in 1937 to demonstrate the viability of socialism. Lange allegedly "refuted" Mises by advocating what has come to be known as "market socialism" (although he never used that term). While the state would own the means of production, prices, according to Lange, would be determined by competition, and production would be extended to the point where marginal cost equaled price. There would be a Central Planning Board but the correct prices for the factors of production would be ostensibly found by a method of trial and error. Correct prices were considered to be the actual market prices. There would be wage in-

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equality, rent and interest. However the state would appropriate the rent and interest and use them for social purposes.[11]

The most interesting thing about Lange's "refutation" is that he defines socialism in terms of property, instead of market, relations. He is forced to maintain commodity production, exchange, interest, rent and wage inequality. Hence, Lange actually builds his "socialist" model on the very market principles it was the goal of socialism to replace,[12] thereby actually reinforcing Mises' assertion that a non-market society is impossible.

Paul Sweezy

Perhaps the pre-eminent American Marxist is Paul Sweezy who, without direct reference to Mises, claims that a non-market economy is possible. Sweezy believes that skilled labor is simply a multiple of unskilled labor whose value is determinable outside of the market by, for example, placing two men on the same assembly line and then measuring their values in terms of their outputs.[13] But this does not even touch upon the essential point: the allocation of scarce resources. It only tells us if one man is more productive at the same job than another. It is silent on the questions of how many men should be employed on that particular assembly line? What materials should be used in the production of a particular good? By what methods should it be produced? In what quantity and quality should it be produced? Should a new plant be opened? If so, where? Should an old one be expanded, contracted, or discontinued altogether? Should a new invention be implemented at this time? Next week? Next year? Or not at all? etc., etc. The fact that one man is more productive on an assembly line than another is no help whatsoever in answering these crucial questions.

Thus, Sweezy falls into the very error that Mises warned of a half century ago: the confusion of technological with economic problems. Technology can only tell us the various ways to produce a thing. It cannot tell us which method we should adopt to produce it or if it should even be produced at all. These are economic problems. One can increase productivity in a given area by building a technologically modern plant. However, whether the plant was economically desirable or actually impeded the satisfaction of more important desires in other areas by diverting needed resources to the production of the new plant is an altogether separate question. The latter can be handled only by economic calculation. Technology

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and value are distinct concepts. It is clear that Sweezy fails to understand the nature of the problem raised by Mises.

Conclusion

In 1920 Ludwig von Mises demonstrated the impossibility of socialism. Since that time there have been periodic attempts to refute Mises and establish socialism's practicality.[14] Two of the more famous "refutations" were examined here and found to be lamentably deficient. Unfortunately, Mises' attack is simply ignored by most socialists. In Leo Huberman's presentation of the Marxian economic theory in *Monthly Review* as well as in Michael Harrington's recent *Socialism,* to cite just two examples,[15] Mises is never mentioned, nor the possibility of socialism ever questioned.

Silence, however, cannot change economic law.

• FOOTNOTES •

1 See Paul Craig Roberts and Matthew Stephenson, *Marx's Theory of Exchange, Alienation and Crisis* (Stanford, California, 1973).

2 Frederick Engels, *Socialism: Utopian and Scientific* (New York, 1972), pp. 72-5; also see Karl Marx, *The Critique of the Gotha Programme* (Peking, 1972), p. 14: "With the cooperative society based on common ownership of the means of production the producers do not exchange their products."

3 Ludwig von Mises, *Socialism* (London, 1969), pp. 220 and 137.

4 *Ibid.*, p. 215.

5 Ludwig von Mises, *Bureaucracy* (New Rochelle, 1969), p. 33.

6 Mises, *Socialism*, pp. 117-18.

7 Ludwig von Mises, *Human Action* (Chicago, 1966), p. 335.

8 Mises, *Socialism*, pp. 115-17.

9 Mises, *Human Action*, p. 600.

10 See, for example, Lancelot Lawton, *An Economic History of Soviet Russia* (London, 1932); and the same author's *The Russian Revolution* (London, 1927); and Michael Farbman, *Bolshevism in Retreat* (London, 1923).

11 Oskar Lange, "On the Economic Theory of Socialism," *Soviet Economics*, ed. Alec Nove and D. M. Nuti (Baltimore, 1972), pp. 92-110.

12 Paul Craig Roberts, "Oskar Lange's Theory of Socialist Planning," *Journal of Political Economy* (May, 1971), p. 566. Roberts also points out that since the marginal rule is only an illustrative principle it does not provide any guidance for decision-making in the real world. Hence Lange's model isn't sound even on its own terms.

13 Paul Sweezy, *The Theory of Capitalist Development* (New York, 1942), pp. 41-5.

14 Others include H. D. Dickinson, "Price Formation in a Socialist Community" *Economic Journal* (June, 1933), pp. 237-50; and Jan Drewnowski, "The Economic Theory of Socialism: A Suggestion for Reconsideration" *Journal of Political Economy* (August, 1961), pp.341-54; for a critique of the latter's position see P. C. Roberts, "Drewnowski's Economic Theory of Socialism," *Journal of Political Economy* (July, 1968), pp. 645-50.

15 Leo Huberman, "Value and Surplus Value," *Monthly Review* (July, 1949), pp. 90-6; and "The Accumulation of Capital," *Monthly Review* (August, 1949), pp. 123-28; and Michael Harrington, *Socialism* (New York, 1972).

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REGULATION Helps the Rich and Harms the Poor

BERNARD H. SIEGAN

THE BELIEF that we need governmental regulation to prevent the rich from exploiting the poor is at the basis of many laws. It happens to be wrong; usually regulation benefits the rich much more than the poor.

Fifty years of zoning experience in this country supports this conclusion. Zoning is one of our most pervasive forms of regulation, and its effects are by now apparent and beyond conjecture. They show that instead of providing for the public welfare, it has done well only for the private welfare of the well-to-do. It has generally been harmful to those of average and less income. The most notable exceptions, it seems, are the fortunate ones who become politicians and planners controlling zoning. If they do not become rich, at least they become powerful.

This is how zoning has discriminated against the less affluent persons in our society:

1. The best means for lowering the cost of housing, both new and existing, is to increase the supply. Zoning does exactly the reverse. It restricts the production and supply of real estate from housing to stores. Hardest hit as a result, are those with the least money. For a family struggling to maintain financial solvency, almost any increase in rent can be a serious handicap.

Consider the case of two Texas cities separated by only 242 miles: Dallas and Houston. Dallas has been zoned since the early 30's and Houston has never adopted it.

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Mr. Siegan is the author of *Land Use Without Zoning* and many articles on the subject. He practiced law for 20 years in Chicago before moving in 1973 to La Jolla, California where he is professor of law at the University of San Diego Law School.

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Both have quite similar economic profiles. There is one major exception however: cost of rent. Apartment rentals in Houston are distinctly lower because the supply of land for apartments is not restricted by political and planning considerations.

2. Most affluent suburban and rural communities erect zoning barriers to exclude apartments and townhouses. When apartments are permitted, they usually have to comply with rigorous "snob" construction and design standards that make them affordable only by the wealthier. Their practices with respect to mobile homes are worse. These units catering frequently to families that would otherwise seek government housing subsidies are excluded from vast portions of this country.

3. Typically, these communities also do not want inexpensive homes in their midst. So they require, among other things, large lots or large amounts of interior space per dwelling, both of which add to the bill.

4. The practical operation of zoning raises development costs that are passed on to the consumer. When the local authorities rezone property for single or multiple family purposes, they are likely to extract conditions, legal and sometimes extra-legal, which can be quite expensive. The installation and maintenance of swimming pools and recreational facilities, for example, add significantly to the cost of housing. One of the motives behind these practices is to keep out projects that attract people of lower incomes.

5. Zoning prohibitions tend to curtail the construction of stores and repair shops within walking or short distances of homes and apartments. In areas lacking public transportation, this creates inconvenience and hardship for a family without a car or with only one older one, particularly if it is used by the husband during the day. The rise in gasoline prices adds to the problems.

6. Zoning is harmful to the interests of small builders. There are now so many zoning rules and regulations that it requires the services of lawyers and sometimes planners to process almost any changes. Moreover, obtaining zoning approval may take months or years and that involves the expense of holding or optioning property. These conditions are eliminating small builders to the advantage of the large ones who are in a much better position to cope.

These facts hopefully should help put to rest a major myth of our society. The zoning story is not unique; it is duplicated in other areas of regulation.

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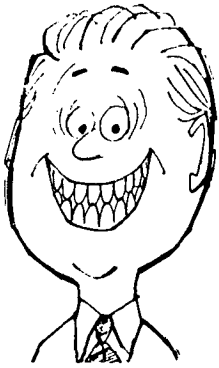
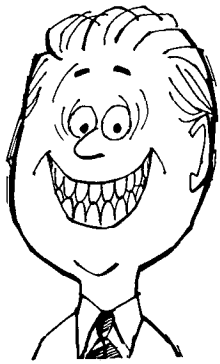


Dog-Eat-Dog Competition



M. NORTHRUP BUECHNER

THE CHARGE of "dog-eat-dog" or "cutthroat" competition is not among the heaviest weapons in the anti-capitalist arsenal, but neither is its significance trivial. It was an important factor behind the Interstate Commerce Act of 1887, the first major intervention by the Federal government into private business in this country. In the depression of the 1930's, during Roosevelt's first term, it was the major impetus behind the attempted cartelization of American business through the National Recovery Administration. It is the primary reasoning behind some statutes of the antitrust laws, especially the Robinson-Patman Act. And it is a not infrequent complaint of businessmen who have gone to Washington to seek subsidies or other forms of government support.

Mr. Buechner is an assistant professor in the College of Business Administration, St. John's University, Jamaica, N. Y. "This paper," he says, "has benefited from the advice and criticism of Kathleen Edwards."

Further, the concept of dog-eat-dog competition is used to support what *is* one of the heaviest weapons in the anti-capitalist arsenal, the charge that a free economy generates monopolies and monopoly power. Specifically, it is alleged that if left unrestricted, competition will result in firms destroying one another until every industry, and perhaps the entire economy, is dominated by one or a few firms.

But the most important influence of the dog-eat-dog view of competition is in its moral perspective. It projects and implies a view of competition as malicious, degraded and corrupt, and by extension, since competition is the motive power of a capitalist economy, the same view of capitalism. It is this view of competition as vicious, antisocial, destructive behavior that is a significant factor in the willingness of politicians, the courts, and the people generally to forcibly modify competitive

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action through government law. And the same implicit view of the immoral nature of competition has served to undermine the willingness and ability of those who would defend capitalism. The subject of dog-eat-dog competition therefore is worthy of serious attention.

A Valid Concept of Competition: First Step

The businessman is most likely to complain of dog-eat-dog competition when the process of competition seems to be reducing his profits and perhaps threatening the survival of his business. He feels himself attacked by his rivals in the market because their activity is in fact having the effect of damaging his economic welfare. It seems to him that the competing businesses are in the position of dogs fighting over the same scrap of meat and like dogs, in order for one of them to be free to eat or enjoy the trade in peace, he will have to kill off the others. This is the spectre that the concept of dog-eat-dog competition calls up: two or more parties each of which must destroy the others in order to survive. It is in fact a totally invalid view of competition.

However, to prove that the dog-eat-dog view of competition is invalid, it is first necessary to establish a valid concept of competition as a standard for evaluation. As a first step in that direction, everyone's concept or idea of competition will have the following as an essential, if implicit, element: the activity of two or more parties trying to acquire a value which only one can have.[1] For the meaning of value here and in the remainder of this paper, I follow Ayn Rand's definition, "that which one acts to gain and/or keep."[2]

There are a number of aspects to this approach to competition that need to be explicitly identified and emphasized. First, competition is a kind of *activity* or *action* (as distinguished from the usual economic approach that describes "pure competition" as a kind of condition or state of reality). Second, there cannot be competition where there is only one party or participant. A solitary individual or firm would have nobody to compete *with*. Third, and most important, competition is an activity that arises only when the value pursued can only be had by

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[1] When I say "everyone," I exclude only modern economists whose concept of "*pure* competition" is the opposite of this; i.e., under "*pure* competition" there is no pursuit of values which only one can have.

[2] Ayn Rand, *The Virtue of Selfishness*, (New York: The New American Library, 1964), p. 5. It is not possible to do more than mention here the overwhelming significance that this concept of value has for the science of economics.

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one, when the acquisition of that value by one of the competitors necessarily excludes everyone else from its possession.[3]

Viewed in this way, "competition" is a very broad concept covering a tremendously wide and disparate range of activities. However, this is entirely consistent with the way the term is used in reality, for "competition" is not restricted in its application to economics and business. It has been the habitual neglect of this very fact and the treatment of competition as if its meaning *were* limited to the business world that has been a major source of error on this subject. The economists' purely competitive view of competition could never have been accepted if any attempt had been made to integrate it with the other forms of competition. Therefore it is worthwhile reviewing some of the alternative uses of "competition" in connection with the definition advocated here.

Some Applications of "Competition"

Perhaps the most widely used alternative application is to games. In any game, the value pursued is "winning," the meaning of winning being defined by the rules of the game. What makes the activity of a game competitive is that normally there can only be one winner. (Games are in a class by themselves as far as competition is concerned because of the artificial context, established by the rules, in which the competition takes place. We shall return to this shortly.)

The concept "competition" is also used in connection with the activity of a political campaign. One aspect of a political campaign which makes it a type of competition is that not both parties to the campaign can be elected. If both McGovern and Nixon could have become President at the same time, the election campaign would not have been competition, and obviously the nature of the entire proceeding would have been radically altered. And we can also talk about the competition of two men for the love of the same woman. Again, it is competition in part because in our society, she can only marry one of them. In a different society, where a woman could have two or more husbands, it would not necessarily be competition.

In the competition of the business world, the common value pursued by two or more firms is the customer's dollar. Two businesses are in competition with one another when their relationship is

[3] I believe I am indebted to George Reisman for this point in my approach to competition.

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such that the same customer in pursuit of some specific economic value could potentially spend his money with both of them. What makes their relationship competitive is that what is potential for both can only be actualized for one, i.e., the potential customer can actually spend a given dollar only once. It is this pursuit of the customer's dollar that gives rise to all the business activity that is commonly regarded as competitive: cutting prices, improving quality, offering better services, giving guarantees, running sales, advertising, providing attractive surroundings, etc. It is this type of activity that characterizes an entire capitalist economy from top to bottom and it is specific concrete actions of this kind that are subsumed under the concept of competition as it is applied to the business world.

A Valid Concept of Competition: Second Step

There is something very important that all these concrete actions have in common. They all involve the creation and offering of values. A lower price is a value to a customer and so is a better product. Pleasant surroundings, good service, guarantees, are all values which the business offers as the *means of competing*. (Advertising is the way that businesses make the public aware that the values they offer are available.) If competition is the *activity* of two or more parties trying to acquire a value which only one can have, the specific activity involved is making values available, offering values, creating values, putting values on display. It is this value-centered activity that is the content of "competition," the type of actions that are actually subsumed under the concept. That the value pursued can only be had by one sets the general context; that the method of pursuit is the offer of other values gives the specific meaning.

That the content of competition is making values available is true of every form of real world competition, not just business competition. The competition of a political campaign is putting values on display in the form of personal appearances by the candidate and offering values in the form of campaign promises and position papers. People vote for the candidate they think has the most values to offer. Two lovers trying to win the same girl do so by displaying the values of character and personality they have that they hope she will fall in love with. All competition is essentially a pro-value activity, in some way directed at announcing, creating, displaying or offering values.

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Competition in Games

The only exception to this is the competition that occurs in games. It is an exception by virtue of the fact that the rules of the game normally carry the activity involved entirely outside the context of normal human interaction. In a game, the specific form that competitive action takes is entirely defined by the rules of the game and can be anything the rules prescribe. The rules of the game are in turn limited by the fact that the purpose of the game is to amuse and entertain the participants or spectators or both. But apart from that specific purpose, and as far as normal human relations are concerned, the rules of the game are arbitrary. Outside the context of the game, there is no rational basis for the furious dispute we see concerning the movement of a leather ball over the hundred yards of a football field. In the real world, to smash yourself head first into the body of a stranger is assault and battery. On a football field, it may be blocking or tackling and is part of the competitive activity defined by the rules. Similar examples could be drawn from almost any game.

The reason that a game's competition need not take the form of offering values is that the playing of the game itself presupposes the voluntary agreement that is the *raison d'etre* for the offer of values. In the absence of force, any kind of human interaction requires the consent of all parties, and values are offered in order to secure that consent. This is the root in reality of the fact that real world competition takes the form of offering values. But since the players of a game have already established the context of voluntary consent by agreeing to play, the interaction that takes place within the game need not require any further agreement and hence no further offering of values. By contrast, in the real world, there is no set of rules spelled out in advance and consequently most continuing human relationships depend on a continuing offer and acceptance of values.

Competition versus the Use of Physical Force

Competition in the real world does not include as a kind of activity the destruction or theft of values. Consequently, it does not include the use of physical force or violence or any derivatives thereof. The use of physical force is always essentially anti-value, being inevitably directed at either the destruction or confiscation of someone's life, liberty or property. This is true whether the force is used criminally, in initiation, or properly, in retaliation. Whether

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he is an innocent victim or a hunted criminal, the recipient of force always experiences it as an attack on his values. It is the essentially anti-value nature of force that explains the reason for its existence, i.e., if it were not directed against somebody's values, the force would not be necessary.

There is another sense in which the retaliatory use of force by the victim against the criminal is pro-value, for the victim uses force to preserve and maintain values that are rightfully his. However, the anti-value basis of the efficacy of force can still be seen in the fact that the intended victim maintains his values only by threatening or destroying the life, liberty or property of the criminal, as does the government when it acts as the victim's surrogate. There is nothing competitive about the use of physical force.[4]

Thus, all the activities associated with "Watergate" are not considered a normal part of the competitive process of the past political campaign. Nor would it be considered competition if one political candidate had his opponent assassinated. And if one of a woman's suitors should throw acid in the face of a competitor to disfigure him, that would not be a competitive process of wooing her love. Contrary to a leading economic principles text, war is *not* a form of competition.[5] It fulfills the condition of the general context for competitive activity in that the value sought, victory, can only be reached by one of the parties. But war is essentially anti-value, destructive of values, the key to success being the extent of the destruction that can be inflicted or threatened against the enemy. As such, in terms of the fundamental meaning and significance of the activity involved, war is the opposite of competition.

Nor would it be considered part of the competitive process in the business world for a businessman to dynamite his competitor's plant or to murder the manager of a competing firm. Competition in business always takes place by means of the creation and offering of economic values in trade or exchange. It does not include any activity that involves the initiation of physical force, since such activity contradicts the basic nature and motive power of competition. Consequently, the suing of

[4] This discussion of the use of physical force is much indebted to the writings of Ayn Rand. See especially *For The New Intellectual* (New York: Random House, 1961), pp. 164-66, and *Capitalism: The Unknown Ideal* (New York: The New American Library, Inc., 1966), pp. 39-41 and 299-300.

[5] Armen A. Alchian and William R. Allen, *University Economics*, third edition (Belmont, California: Wadsworth Publishing Company, Inc., 1972), pp. 11-12.

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a superior firm by an inferior under the antitrust laws, very popular today,[6] is not competition either. Economic competition should be defined as *the activity of two or more firms pursuing the same customers' dollars by offering the highest values in exchange.*

Three Implications of Dog-Eat-Dog Competition

Now, having established a valid concept of competition, we are in a position to critically evaluate the view of competition as "dog-eat-dog." That label is intended to draw a parallel between the activity of dogs fighting over a piece of meat and businesses competing for customers and to suggest that there is no essential difference between the two cases. It is true that if one dog gets the meat, that necessarily means the other dog or dogs cannot have it. To that extent, and to that extent only, there is a parallel between the general contexts in which competition and a dog fight may take place. However, that general context is not the primary or essential issue. As we have seen, war and competition have that much in common. More important are the things suggested by the dog-eat-dog view of competition which in fact are not true of any real world competitive relationship. There are in fact three such implications of the dog-eat-dog view.

First: Obsessive Concern with Other Firms

The first thing suggested by the dog-eat-dog view is that the primary focus of attention of competing firms is on each other, that each firm directs all its actions at the other firms in the industry. Of the three implications of "dog-eat-dog," this is the only one that is true even of dogs. If two dogs are fighting over a piece of meat, each dog must be primarily concerned with the other dog and direct all its actions at the other dog in order to win the fight. This is not the case in business. Competing businesses are not engaged in a fight, there normally is no winner at all, and the primary focus of attention and direction of action is not at the other firms. This is not to say that firms in competition with one another do not have to be concerned with what each other is doing, as they certainly do. But the primary method, the *action* of competition, is in the creation and offering of economic values, more concretely, in the production and sale of goods and services. And consequently, the primary activity and focus of

[6] See *Business Week*, "Is John Sherman's Antitrust Obsolete?", March 23, 1974, p. 54.

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concern of a business firm must be on the production and sale of its own goods.

Concern with what other firms are doing is a side issue. It comes up and is relevant only in so far as it may affect the firm's ability to sell its own goods. It is meaningless in fact for one firm to be concerned with another apart from that specific issue. Since competing firms are not engaged in a fight, in any direct physical contact, the only impact they can have on one another is through each other's sales. It is because of that impact that firms do have to be aware of changes in the quality of the competition's product, their prices, services, advertising campaigns, etc., not as an end in itself, but as relevant information for the firm's determination of its own quality, price, advertising, etc. But rationally, the firm's primary focus of concern must be on its own productive activity, not on what the competition is doing. The way the firm competes is through the offering of values. A firm or an entrepreneur obsessed with what the competition is doing, as suggested by "dog-eat-dog," would have no values to offer.

Second: Formalized Theft

The second thing suggested by the dog-eat-dog view is the idea that competition is the process of one party struggling to take something away from someone else, a kind of formalized theft. This is not true even of two dogs fighting over a piece of meat. Since the meat does not belong to either of the dogs, the winner cannot be said to have taken it away from the loser. However, it has significantly greater plausibility with dogs than with human beings, since the concepts of individual rights and property do not apply to dogs. With human beings and business competition, the customer's dollar pursued is the *property* of the customer until he spends it. No businessman can have any prior claim on the customer's money, and consequently he has had nothing taken away from him if that customer or all customers choose to spend their money with his competitors.

Even if a business has a customer of long standing that it has come to count and rely on, that does not change the fact that in a free society all men are free agents and can belong to no other man. If that long-standing customer changes his mind and starts to patronize a competitor, nothing has been taken away from the business that loses the customer in any fundamental sense. The complaints in such a case arise from a refusal to acknowledge or recognize that the customer did

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not *belong* to the business, the business did not *own* the customer, the customer was not the *property* of the business in the first place. Competition is not a process of businesses trying to take values away from one another but rather a process of creating values and offering them for exchange on the market.

Third: Destruction or Elimination of Competing Firms

The third and by far the most important implication of the dog-eat-dog view is that the goal of competing firms is the destruction of one another, that success in the market place means the elimination of the competition. Again, such a view is not true even of dogs. When two dogs fight over a scrap of meat, the success of one does not depend on the death of the other; it depends only on winning the fight. However, even this view of success in the dog world is not applicable to economic competition.

The concept of a "winner" in the dog-eat-dog sense has no relevance for competing firms. The obvious reason is that virtually all real world markets will support more than one firm. There may be some plausibility in calling the firm with the largest share of the market the temporary winner, but "winner" in this context does not mean the exclusion of everyone else from the prize as it does for the two dogs. While in each specific case, a dollar spent with one firm cannot also be spent with another, one sale or one customer is not the condition of success or failure. The normal condition is that most of the firms in the market can continue to survive and prosper and make profits over the long run with a reasonably efficient performance. The success of one does not depend on the destruction of anyone else, but rather on the quality of the firm's own productive efforts.

The primary goal of the firm is not the destruction of other firms but the acquisition of the customer's dollar, the maximization of profits. The primary means to that goal is production of the best product possible at the lowest possible price. If other firms are driven out of business in the process of pursuing that goal, it is normally entirely incidental. The goal was not the destruction of other firms, but the maximization of profits. New firms are constantly opening for business and failing, not because competing firms set out to destroy them, but simply because they could not match the competition's quality and/or price at a cost which would allow them to make profits.

Cases do occur where one firm cuts its price expecting to drive

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some competitors from the market, pick up their customers, and increase its own business and profits. I am not speaking here of predatory price cutting, which is another anti-capitalist myth, but of the case where one firm is genuinely more efficient than others and can continue to make profits at prices that drive other businesses into bankruptcy. Again, the focus of the price-cutting firm's concern is not on driving other firms out of business, but on increasing the size of its own market. The elimination of the other firms is incidental. The businesses being driven from the market under such circumstances may complain that it is "dog-eat-dog" or "cutthroat competition," but that is not its basic motive or purpose.

Dog-Eat-Dog Competition in the Real World

Is it possible for the conditions implied by "dog-eat-dog" to exist in the real world? Is it possible for there to be more firms in a market than the market can support so that the survival of some does depend on the elimination of others? Yes, it is possible. It can come about in essentially two alternative ways. First, a highly profitable new and/or growing industry may attract so many firms that everyone ends up making losses. The classic example is the railroads in the 19th century. However, such a situation represents a serious error in business judgment about the potential long-run profits in the industry, and we should expect it to be rare in the free market. In the case of the railroads, they were overbuilt in the pursuit of government subsidies and land grants, not as the result of private errors in the pursuit of private profits.

The second alternative is that an industry which is not overbuilt to begin with may suffer a change in market conditions, most likely a decrease in demand, which results in all or most of the firms taking losses. The decrease in demand can occur for two reasons: (1) a shift in demand away from this product to something else, or (2) a general decrease in demand as a symptom of a recession or depression. In either case, the consequence may be too many firms in the industry for existing market conditions.

These are the conditions under which the cry of "dog-eat-dog competition" is most likely to be heard. The implication of the cry is that the process of competition itself is destroying the firms in the industry; and if we interpret competition as only the offer of values, then there is a sense in which competition is to blame. The problem is simply that too large a quantity of goods (values) is being

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offered on the market, as we shall see.

But competition, aggressive competition, is not just the process of churning out goods. It is the pursuit of the customer's dollar by offering the highest values in exchange. In that context, firms may lose money as the result of competition if another firm or firms consistently offer higher values and attract most of the customers. But under the dog-eat-dog conditions described above, all or most of the firms are losing money and none of them is doing well. Their losses, therefore, cannot be the result of unusually aggressive competition because the firm initiating such competition, offering the higher values and attracting the customers, should be making good profits. No, the firms are losing money not because competition is abnormally intense, but because of the Law of Demand.

Dog-Eat-Dog versus the Law of Demand

The Law of Demand says that larger quantities can only be sold at lower prices and smaller quantities can be sold for higher prices. If all the firms in a market are losing money, the fundamental reason must be that under existing demand conditions, the total quantity the firms want to sell can only be sold at a price below costs. Obviously, this is a situation that cannot continue. No firm can go on indefinitely producing at a loss. Eventually the least efficient firms will leave the industry and when they do this will reduce the total quantity to be sold on the market. The smaller quantity in turn can be sold for a higher price, and this process will continue until the firms remaining in the market can make profits. The crucial point for our purposes is that it is not competition that causes losses or drives firms from the market under such conditions, but the relation between the demand for the product and the cost conditions facing the firms.

This last point is the basis for the answer to the charge that dog-eat-dog competition results in monopolization. When existing firms are being driven out of a market under the circumstances described above, it is because of the conditions that exist in that market. Firms will stop leaving when those conditions change, and it is the process of firms leaving that is the means to changing those conditions, i.e., reducing the quantity sold and raising price. The cause of the problem is not in the competition, and there is nothing about the nature of competition that inevitably leads to monopolization. The only way that monopoly can result from competi-

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tion is if one firm can outcompete everyone else in the market, offering higher values than any other firm can match. Such a monopoly is very rare in the open market and represents a significant achievement. It is also clearly to the interest of the market's customers.

Summary and Conclusion Concerning Economic Competition

The fundamental means by which economic competition proceeds in the real world is the offer of economic values, placing goods and services for sale on the market. The concept of dog-eat-dog competition implies that competition is characterized by a paranoid obsession with what other firms are doing and proceeds through formalized theft and the destruction of other firms. As such, dog-eat-dog competition has no connection with competition as it actually exists in the business world or with any other form of competition.

Moreover, from the broadest perspective, the dog-eat-dog view implies that competition is a process of destroying values; other firms, other firms' customers, other firms' goods. Blowing up a competitor's plant and murdering the manager would be entirely consistent with what is suggested by dog-eat-dog. As such, this view of competitive action is not merely mistaken, it is the reverse of competition as it is actually carried on in reality.

The heart of competition is making values available, and any concept that suggests the opposite is viciously antisocial and destructive. This is not an abstract characterization but a factual indictment. It can be seen in the consequences of the policies listed in the first paragraph of this article, policies that have flowed from the dog-eat-dog concept. The Interstate Commerce Commission was created in part to prevent dog-eat-dog competition among the railroads and in the process has virtually destroyed them. The National Recovery Administration, set up to prevent dog-eat-dog competition among American businesses generally during the Great Depression, would have turned the United States of America into a fascist state. And the Robinson-Patman Act, designed to prevent some firms from harming or destroying others through low prices, has in practice operated as an attack on all price competition. Such are the consequences of a false concept.

It is bitterly ironic that the destructiveness which the dog-eat-dog concept attributes to real world competition has in fact been the consequence of the policies

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generated by the dog-eat-dog concept. It becomes mind-staggering when one grasps that this is only a minor instance of a process which operates on a global scale. It is a process whereby a charge against capitalism generates government action which creates the evil alleged in the charge (e.g., the charge that capitalism is economically unstable has led to government policies which have destabilized the economy). This perverse sequence of events can be found to have resulted from virtually all the attacks that have been directed against the capitalist system.

IDEAS ON LIBERTY

The Nature of Monopoly

A SERIOUS CHARGE made against the free market by its friends is . . . that in an unhampered market the individual would not be truly free but would be imposed upon by monopolies of various kinds and degrees. This charge appears in the preamble to one piece of interventionist legislation after another. Thus, the worker is said to need special protection because of the monopoly power of the employer. The farmer must be protected against monopolies on both sides of his market. Certain kinds of business firms must be protected against certain other kinds. Certain price decisions must be influenced by government because of the monopoly power of the firms involved. And on and on it goes. Clearly, if private monopoly is indeed this ubiquitous, a presumption is established in favor of a substantial role for government.

In my opinion, however . . . positions of monopoly power tend to be short-lived and relatively ineffective, except as they receive the positive assistance and protection of government. Or phrased another way, government in the United States has done far more to promote monopoly than to promote and permit competition.

BENJAMIN A. ROGGE, "Is Economic Freedom Possible?"

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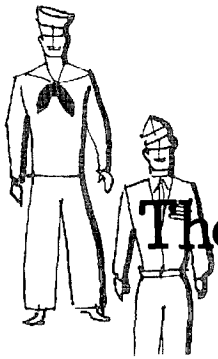
ROBERT MCNOWN
AND
DWIGHT LEE



The High Cost of the Draft

WITH THE EXCEPTION of the recent post-war period, the United States has always maintained an army of volunteers in times of peace. But it is claimed that our need for a large standing army because of the cold war would make an all-volunteer force prohibitively expensive. No one would deny that it is possible to staff an army of most any size with quality personnel if we were willing to offer sufficiently generous salaries. The objection is that this would simply be too expensive.

That an all-volunteer force is more costly than a system with conscription is an illusion. Manpower costs are not less under the draft, they are simply shifted onto one particular group, namely the draftees. The cost of a young man's service in the military is measured by the value of those opportunities forgone. Generally the opportunity sacrificed here is a civilian job, with a value equal to the salary he could expect to receive. The President's Commission on an All-Volunteer Armed Force estimated that the military pay for draftees is only half that which they could receive in civilian work. Add to this salary discrepancy a possible preference for civilian over military employment, and it is apparent that the true cost of the draft is quite high. To the individual draftee the opportunity cost of military service is equal to the salary which he would have to be offered in order to be attracted to military service. Thus whatever savings the taxpayers garner through the lower military pay permitted by conscription appears as a cost to the individual draftee. Military budgets may be lower with a system based on conscription, but this does not imply

Messrs. McNown and Lee are Assistant Professors, Department of Economics, University of Colorado at Boulder.

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that the social costs are lower. The draft merely shifts the burden of manpower costs from the taxpayers onto the young men of draft age.

Suppose, for example, that it would require a salary increase of $3000 per man to attract volunteers equal in number to the present volume of draftees. For every man drafted to serve, the taxpayers save $3000, but the individual draftee suffers a cost in terms of income forgone and aversion to military duty valued at $3000. Manpower costs to society as a whole are no different in either case. The only difference is in who pays the costs – the taxpayers as a whole or the men who are unfortunate enough to be drafted.

Less Costly

Actually there are strong reasons for believing that an all-volunteer system will involve lower social costs than a system with conscription. Budget outlays will be higher of course, but this is not indicative of true relative social costs.

The most important savings to society will come in the form of lower rates of induction of those men with the highest opportunity costs. Those most productive in civilian life are those who earn handsome salaries. These are of course the ones least likely to be attracted by military service, unless the military is willing to offer them comparable salaries. With the exception of medical doctors, however, the military will not generally be interested in paying salaries which would attract those who are unusually productive in civilian life. Movie actors, corporate executives, scientists, and writers, for example, are unlikely to make contributions to the military which are comparable to those made in civilian life, and it would be highly inefficient to have them inducted.

There will be additional savings through a more efficient use of all men of draft age, including those threatened by the draft but never inducted. Many men subject to the draft have gone to great lengths to redesign their lives in order to avoid conscription. Enrollment in colleges and seminaries, employment in draft deferred positions, and legal action to avoid the draft cost society $2.50 for every $1.00 saved the taxpayers through the draft.[1] The entire social fabric has been strained by military conscription, for in no other sphere of activity in our society do we permit such

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[1] *The Report of the President's Commission on an All-Volunteer Armed Force*, Washington, D.C. 1970.

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an arbitrary system of involuntary servitude.

Another reason for anticipating lower manpower costs would be that volunteers are likely to have a substantially higher reenlistment rate than draftees. Thus with an all-volunteer force there will be considerable savings in training costs as a result of the lower turnover rates. With a two-year tour of duty involving six months of basic training and a couple of months of processing for discharge, the military actually receives very little benefit from draftees who do not reenlist.

Finally, with manpower costs accurately portrayed by the salaries paid, the branches of the armed forces will have an incentive to utilize men more efficiently. When all inductees, from college graduate to high school drop-out, are paid a token wage of $115 per month, and when an ample supply of men is guaranteed by conscription, there is virtually no incentive for the service to economize on the use of manpower. Stories of highly skilled or educated draftees being sent off to do menial labor were commonplace in the "old army." With the military paying the true cost of labor services there will be an incentive to allocate scarce labor resources to lines of activity for which they are most suited. It will also become worthwhile to substitute non-human resources and civilian personnel for military manpower in those cases where such tasks can be performed more cheaply. When the cost to the army of an enlisted man is a nominal $115 per month, there is little reason to seek ways to economize on the use of this resource.

The All-Volunteer System Under Trial

Largely on the basis of such arguments, the Congress was induced to try out the all-volunteer system. As of January, 1973, the armed forces have officially been attempting to fill their manpower needs without use of conscription. Higher salaries, more attractive life-styles, and large promotional activities have been employed in the effort to attract volunteers. After about one year of this system, the all-volunteer army has come under attack from several influential military officials and congressmen. They cite several reasons why they believe the all-volunteer army is bound to fail.

Firstly, they bring up the old argument that it is just too expensive to support a two-million-plus army on a voluntary basis. But we have seen that this argument is fallacious. Whatever savings the taxpayers realize is a burden imposed directly on the

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draftees. The issue is not concerning a difference in total costs; it is rather over who incurs those costs.

The critics of the all-volunteer system also contend that neither quality nor quantity quotas are being satisfied with present recruitment programs; that a return to conscription is needed to acquire the educational and skill backgrounds needed in today's army. This could be merely a problem of transition. Re-enlistment rates for draftees are understandably lower than those for volunteers. As we move towards an all-volunteer army, the overall re-enlistment rate should rise as the proportion of draftees in the army from previous years is gradually reduced. Once transition is completed some of the quality and quantity deficiencies should be overcome through higher re-enlistment rates. It is also likely that salaries are still inadequate to attract the high caliber of personnel the army desires. A recruit today is paid $307 per month, and a sergeant with four years of service makes about $450 plus $80 to $120 per month in housing benefits. While this is a considerable improvement over wages of four years back, it is not hard to imagine that more attractive salaries may need to be offered if skilled and educated men are to be attracted into a highly disciplined, often dangerous career. The military pay bill which was to permit us to move towards an all-volunteer system did not provide for a level of pay which the President's Commission on an All-Volunteer Armed Force recommended. Compromises were made particularly at the expense of the new enlistees. Considering that this group received no pay increases between 1952 and 1965, we might expect that salary increases will need to be somewhat more generous if we are to attract the caliber of personnel desired by our armed forces.

Some also fear that the higher manpower costs will lead to cutbacks in non-personnel defense expenditures. If this were to come about, it could only be a result of citizens and congressmen reacting to new information about the true cost of military activities to society. If the only way in which citizens can be convinced to maintain an extravagant military is by hiding some of the costs behind the blanket of conscription, then it seems clear that too many resources are in fact being allocated to military purposes.

Minority Control

Finally, there is the fear that an all-volunteer army would become dominated by blacks and

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other disadvantaged minority groups. It certainly is the case that economically disadvantaged groups will be attracted in disproportionate numbers because of their relatively low alternative income earning opportunities. Blacks have in fact accounted for 20 per cent of enlistments in recent months, while they comprise only 14 per cent of the service-age population. A disproportionate number of blacks in the armed forces may or may not be an undesirable thing. Some would take the position that the army is interested in particular skills and abilities, and the color of the body in which these attributes are housed should make little difference. What is objectionable about a disproportionate number of black enlistees is the underlying economic condition which this reflects. It is appropriate to try to deal with economic inequalities at the source, not to circumvent a result of these inequalities by imposing a new inequity, namely involuntary servitude.

In conclusion, it is apparent that most of the objections to an all-volunteer force derive from the position that it is simply too expensive. This is, however, an illusion. A reasonable measure of the social costs of a standing army obtained by any method is the value of the opportunities forgone. The social costs of a standing army of 2.2 million men is approximately equal to the incomes sacrificed when these men are taken from the civilian sector. A $5 billion savings to the taxpayers in lower military pay as the result of conscription is merely a transfer from one group – the draftees – to another, namely the taxpayers. A less equitable system could hardly be imagined.

IDEAS ON LIBERTY

Equality vs. Liberty

IT IS *equality of freedom and independence* that gives unto man his opportunity to be rich or poor or to be good or bad. Equality of men leaves no choice, because if all men are equal by nature or inherently there can be no differences and no distinctions. All have an equal right to stand at the judgment bars of God and man – but all are not entitled to the same judgment. Virtue and depravity are not entitled to the same rewards on earth or in Heaven.

R. CARTER PITTMAN

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LEONARD E. READ

LAW VERSUS TYRANNY

Morality once shattered destroys the people and the ruler. Outside of prison and this side of hell men are not bound together by the club but by the consciousness of moral obligations.
— Walter A. Lunden

ACCORDING to Thomas Fuller, the 17th century Royalist historian and preacher: "Law governs man; reason the law." This doesn't seem right to me or, at least, seems contradictory to Professor Lunden's observation about moral obligations.

Does reason govern law? If so, reason would appear to be a low-grade faculty, for there are as many varying conceptions of "law" as there are persons who use the term. Indeed, most of us use "law" loosely, meaning now this and then that. Were reason to govern, it would seem, at the very least, that we should have a sounder conception of what law is than is now the case.

In this context, what is law? Is it a body of legal edicts backed by force? Or a consciousness of moral obligations? Or, if some combination of the two, which takes precedence? These and many other related questions need some careful reflection if reason is to govern.

Lord Keynes, in 1938, speaking of the time when he was twenty, said of himself and his friends:

> We repudiated entirely customary morals, conventions, and traditional wisdom. We were . . . in the strict sense of the term, immoralists . . . we recognized no moral obligation, no inner sanction, to conform or obey. Before heaven we claimed to be our own judge in our own case. So far as I am concerned, it is too late to change; I remain and always will remain, an immoralist . . . .

In a recent comment on that passage, Henry Hazlitt suggests that "it is the spread of precisely this attitude since then to ever-widening circles that helps to explain the moral and political decay in the last few decades."

As to which takes precedence —

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a body of legal edicts backed by force, or a consciousness of moral obligations – I say, contrary to Keynes, the latter. In describing himself as an immoralist, Lord Keynes was saying that no moral laws or ethical imperatives are to stand in the way of desires and actions or to otherwise restrict his thoughts and deeds. And the result is an outpouring of legal edicts inspired by him and his disciples and designed to control the affairs of society.

Now to my faith. I am a moralist. I subscribe to the proposition that there are laws of nature and the universe, of Creation, that should be discovered and respected. I believe that all man-made laws – legal edicts – which go beyond codifying and complementing the moral law, serve not to bind men together but to spread them asunder, creating chaos rather than harmony, tyranny rather than peaceful order.

Fundamental to my faith is the rejection of government as the *sovereign* power. This puts me on the side of the writers of the Declaration of Independence:

> . . . that all men are . . . endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness.

By proclaiming the Creator as the endower of men's rights, they proclaimed the Creator as sovereign, denying government that ancient and medieval role. Moralists!

Being a moralist also links me with Walter Lunden, F. A. Hayek, Henry Hazlitt, and an encouraging number of other moralists and ethicists of increasing influence. However, this does not mean that all of us see precisely eye to eye. That would be as undesirable as it is impossible. Why? It is our differences that serve as steppingstones to truth, an infinite pursuit. We agree on being moralists, not immoralists, moral values being the correct vantage point from which to look for improvement, refinement. Thus, let each share whatever his best thoughts reveal – the upgrading procedure, that is, learning from each other, catholicity the rule.

Foundations of Morality

What are the foundations of morality? Moralists have varying answers to this question.My foundations are the Golden Rule and the Ten Commandments. The Golden Rule, in my view, is the prime tenet of sound economics and, doubtless, the oldest ethical proposition of distinctly universal character. Let no one do to others that which he would not have them do to him; that would be

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just about the ideal, economically, socially, morally, ethically. Admittedly, this is more a goal than a likelihood, but it is goals we are considering.

There are moral values which are appropriately reinforced by man-made law, and other moral values which do not lend themselves to legal implementation. Let us examine the Ten Commandments to find where man-made laws are appropriate, that is, where they are complementary to the moral law, and where not.

Man-made laws – legal edicts backed by force – are inappropriate when directed at what the individual thinks or believes or does to himself. A man's inner life can only be impaired, never improved, by coercive forces. Government is but an arm of society and its only proper role is to codify and inhibit injuries inflicted on society, that is, on others than self. Self-injury is subject to self-correction – none other!

Take the Commandment, "Thou shalt not covet." Enforce this by a man-made law? The absurdity is obvious. Envy is the root of many evils – stealing, killing, and the like – yet it cannot be done away with by the gun, billy club, fist, or any other physical force. Might as well pass a law against stress or worry or despair or man's thoughts about the hereafter or against suicide for that matter. The you's and I's – society – may lament the ills many people inflict on themselves but we cannot correct them by legal concoctions.

The moralist concedes that there is good and evil in the world – in man – in any man – that there is a moral law by which one may distinguish the good from the evil. But he knows that he is powerless to relieve any individual of the certain consequences of that person's immoral actions. Would he try to enact legislation to the effect that a person shall not be burned if he touches a hot stove or drown if he stays indefinitely under water without air? Such human enactments would be inconsistent with the moral laws of cause and consequence – would indeed be a form of tyranny, an invitation to lawlessness in the mistaken belief that one might violate the moral law with impunity.

Protective Prohibitions

Here are a few samplings of prohibitions by a government out of bounds, minding your and my business: driving a car without seat belts, staying away from school, working for less than $2.00 an hour, laboring more than 40 hours a week, keeping stores open on the Sabbath, exchanging the fruits of one's labor for gold, on and on. All in the name of protect-

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ing the you's and me's against ourselves. Law? Not the way a moralist would define it! These are tyrannies.

Clearly, the moral law takes precedence over the legal edicts of civil law. The latter serves a useful purpose *provided* its limited role is understood and heeded. When statutory law invades the domain of the moral law, it is itself ineffective and it paralyzes moral action; it creates a vacuum.

Coercively enforce an observation of the Golden Rule when only self-enforcement is possible? Nonsensical! Can the government stop covetousness by making it illegal? Of course not! The role of civil law should be limited exclusively to inhibiting such injuries as some inflict on others, never directed at injuries we inflict on ourselves.

My moral code is founded on the Golden Rule and the Ten Commandments, and I would call upon the civil law to help enforce only these: "Thou shalt not kill," "Thou shalt not steal," and "Thou shalt not bear false witness."

Conceded, killing, stealing, and bearing false witness inflict self-injury: the destruction of one's soul, the loss of neighborly respect, the reduction of propects for cooperation. However, each of these evils inflicts injuries on others and thus becomes a societal problem. Such destructive behavior should be inhibited, insofar as possible, by the organized and legal arm of society – government.

Mass Murder

All but the mentally deficient stand against the murder of one by another and more or less agree that one means of minimizing the practice is to oblige the murderer to pay the penalty for his crime.

Mass murder, on the other hand – killings by the millions – is not so much frowned upon. Why? These are done in the name of a collective and thus are thoughtlessly regarded as impersonal. I didn't do it; the nation (or some other abstraction) did it! Witness the Crusades in the name of Christianity or the Thirty Years' War in Central Europe, or what goes on more and more in our time.[1] The Commandment, "Thou shalt not kill," is no less broken when done in the name of a collective than when one man kills another. What is the explanation for this calamitous trend? In my view, omnipotent government, that is government, not the Creator, as sovereign.

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[1] For further reflection on this complex matter, see my "Conscience on the Battlefield." (Copy on request.) The Thirty Years' War witnessed the slaughter of millions of people "to the glory of God"! See *Grey Eminence* by Aldous Huxley (New York: Harper & Bros., 1941).

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Only those who reason clearly from cause to consequence stand foursquare in support of "Thou shalt not steal." True, not one in a thousand would steal a penny from a child's bank or a neighbor's goose or another's loaf of bread. Full respect for private property at the you-and-me level! Yet, people by the millions will ask the government to do the taking for them – billions upon billions of dollars annually. Plunder at the impersonal level! Why? The same old reason: government out of bounds, that is, government as sovereign. "The king can do no wrong; therefore, what he does for me at the expense of others is right." Sound reasoning? Hardly!

Those who cherish liberty are well advised to respect and defend the rightful claims of others. As Santayana wrote, "The man who is not permitted to own is owned." Observe that "Thou shalt not steal" presupposes private ownership, the bedrock or foundation of individual liberty. Why this assertion? How possibly could one steal were nothing owned! To disregard this moral law is to deny being one's own man; disobedience invites enslavement – being owned. Merely observe how the fruits of individual effort are increasingly expropriated by the collective, how our options of ownership are being diminished. And the way to reverse this dreadful trend is to heed the Commandment against theft. Government's role here, as in the case of murder, is to inhibit these infractions of the moral law, not to promote them.

"Thou shalt not bear false witness" means not to misrepresent or defraud or falsify. Make a contract, keep it. Let all representations be truthful, whether they pertain to persons or to goods and services. False witness, having to do with injury to others, rationally warrants that the civil law help rescue us from this evil.

To my way of thinking, morality, once shattered, destroys the people and whoever or whatever presumes to rule. It is only the *consciousness* of moral obligations that binds men together. This is one reason why I am an unabashed moralist and why I hope that our tribe may increase in number and improve in consciousness. Amen!

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Gibbon for Moderns

Gibbon for Moderns is the title chosen by Peter P. Witonski for his one-volume abridgement of Eighteenth-Century Edward Gibbon's famous history of the decline and fall of the Roman Empire (Arlington House, $8.95). And, as part of his didactic purpose, Witonski adds a brief notice that he is presenting the more important parts of an always fascinating historical work for their "lessons for America today."

Since Rome, with its eastern extension in the Byzantine Empire, lasted for a couple of millennia, the "lessons" that are to be learned from Gibbon, Mommsen or any other historian of the rise, spread and decline of Latin civilization have a thousand faces. More than thirty years ago an American newspaper man, H. J. Haskell of the *Kansas City Star*, wrote a delightful book called *The New Deal in Old Rome*. His "lesson" was that Henry Wallace, Harold Ickes, Rexford Tugwell and Franklin D. Roosevelt had had previous incarnations in the age when Gaius Gracchus was championing the Ever Normal Granary and when Augustus Caesar was going strong on the public works that changed Rome from a city of brick to a city of marble. If the New Deal (with its own modern version of "bread and circuses") hoped to succeed, it would have to do better than Rome. The problem was to build a society which, in Mr. Haskell's words, would provide "reasonable incentives for the free rise of a general staff of competent managers whose ranks are always open to fresh recruits." Writing in 1938, Haskell sounded a dubious note. Who and what would come after Wallace, Tugwell and Company?

Albert Jay Nock was more definite. He delighted in pointing out that all the panaceas had been

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tried by the Romans and all had failed. Nero clipped the Roman coins, but inflation solved nothing. Diocletian tried unsuccessfully to fix prices. "Empire," in the form of extracting treasure from conquered provinces, ran out when the "movables" had all been removed, leaving only the slaves. The dependence on slave labor ultimately took its own toll by undercutting the free peasantry, who turned up in Rome to live on the dole.

Antisocial Solutions

Dero Saunders, a bright editor of *Fortune Magazine* whose avocation was dabbling in the history of antiquity, pushed the New Deal comparisons in the edition of Mommsen's *History of Rome* which he prepared with John H. Collins, a classical student. Mommsen's main "lesson," as passed along by Saunders, was that Robin Hood methods of solving the "social problem" end by tearing society apart, the result being anarchy that finds its Draconian cure in dictatorship.

Witonski's "lessons" are a bit more subtle than those advanced by Haskell, Nock, Dero Saunders and other Roman buffs of the past generation. Eschewing the "economic interpretation," Witonski identifies Rome not only with the decline and fall of a temporal empire but also with the rise of Christianity. He holds, with the late Frank Meyer (to whom he dedicates *Gibbon for Moderns*), that Roman law and Christian ethics have combined to create the concept of the "West," which, though it is now under seige, is still alive and kicking against the efforts of the new barbarian "counter-culture" to undermine it.

The Fall of Constantinople

Gibbon, a man of the Eighteenth Century "enlightenment," was a free thinker with a Deist prejudice against any religious specificity. He was inclined to blame the Christians for sapping the morals of the old pagan society, which had its many household gods. Even so, if the conversion of the Emperor Constantine had been able to keep the Turks forever at bay before Constantinople, Gibbon would have held Christianity in the same affection that Voltaire cynically maintained for the God whom "necessity" demanded. The "fall" of the Roman Empire bemoaned by Gibbon was material; it came because the empire, after the Antonines, could not longer fend off the barbarians from the North and the Moslems from the East.

When Mohammed II took Constantinople, it was the end for Gibbon. His descriptions of the ultimate failure of pomp and pow-

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er are marvelously evocative, and one never tires of the balanced rhythms of the Eighteenth Century style. As for Gibbon's disparagement of the moral pretensions of the Crusades, it is good for our souls that we be reminded of the often non-Christian behavior of the defenders of the Western chivalric order. For pragmatic reasons, Gibbon had to accept the Crusades as good: after all, they gave Constantinople a "breather" of some three centuries which it might not otherwise have had.

Witonski raises points that are merely implicit in Gibbon. The "breather" of the Crusades allowed the West, as the inheritor of Roman civilization, to develop the nation-State. Rome, in a sense, was pushed into the North by the spread of Islam, which, as Henri Pirenne has pointed out, turned the Mediterranean for a period into a Moslem lake. The "barbarians" from the Gothic North took over enough of the Latin culture to sustain "Rome" as part of Charlemagne's Frankish Empire. Latinity persisted in Spanish, French and even Rhineland German customs. The Moors took Spain, but Gallic Latinity was saved by the Pyrenees. And the big comeback which, with the Crusades, was to retake the Mediterranean for the "West" was powered by such northern "Romans" as Robert, Duke of Normandy, and Richard the Lion Hearted of England, along with ex-barbarians who had come within the civilizing influence of contact with both Rome and Christianity after they had invaded Lombardy and the Italian peninsula.

The West Again Under Seige

So "Rome" never actually died. It survived in Constantinople until 1453, and it revived in the West when the Moslems were pushed back in the Mediterranean. All of which points to a "lesson" that Peter Witonski does not unduly stress, partly because he wrote his introduction to *Gibbon for Moderns* before the Arab-Israeli Yom Kippur War. The "West" is under seige again from the East, with the Soviets threatening a complete takeover in the Balkans (a second "fall of Constantinople"?) when Yugoslavia's Tito dies. Elsewhere the Soviets have cleverly arranged to create the turmoil that resulted last Fall in the Arab oil embargo, which hit at all the Western European states that have inherited the Roman and Christian traditions. The Mediterranean could become a part-Islamic "lake" if Henry Kissinger's diplomacy, which is directed toward driving a permanent wedge between the Russians and the Arabs, should fail.

If the West would save itself

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once more, it needs a new Henri Pirenne and a new Edward Gibbon to point to the consequences of losing the Mediterranean to collaborating Communist and Arab jihads. Western Europe consists of small and vulnerable peninsulas (Iberia, Italy, Scandinavia) joined to a shrunken trunk (France, the low countries, West Germany, Switzerland). Loss of the Mediterranean would effectively outflank the European West.

If this should ever happen, a new Gibbon would be required to write a real "decline and fall." The stakes are big, as the late Frank Meyer and his disciple Peter Witonski have tried to bring home to a world that has read all too little of Edward Gibbon.

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